

**JUNIOR ACHIEVEMENT
OF ARIZONA, INC. AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows.....	6
Notes to Financial Statements	8

Sarvas, Coleman, Edgell & Tobin, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

TERRY B. SARVAS
ROBERT F. COLEMAN
MICHAEL W. EDGELL
DEBI A. TOBIN
EDWARD L. ESPINOZA
CARLIE F. THOMASON
JOSHUA L. KUNDE

5050 NORTH 40TH STREET • SUITE 310
PHOENIX, ARIZONA 85018
TELEPHONE (602) 241-1200 • FACSIMILE (602) 241-0162
WEBSITE: www.scetcpa.com

JEROME A. BRINER
ANNE M. BRADER
CORBIN A. SMITH
VIRGINIA C. TEJADA
BRYNN J. KOLINSKI
JACK J. LAVEY
THOMAS J. MARKI

INDEPENDENT AUDITORS' REPORT

To the Boards of Directors of
Junior Achievement of Arizona, Inc. and Affiliates:

We have audited the accompanying combined financial statements of Junior Achievement of Arizona, Inc. and Affiliates (the "Organization") which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and changes in net assets, and of cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditor's Responsibility (Continued)

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Arizona, Inc. and Affiliates as of June 30, 2016 and 2015, and the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sarvag Chav, Guel & Co. P.C.

Phoenix, Arizona
September 7, 2016

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
 COMBINED STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and Cash Equivalents	\$ 379,555	\$ 65,225
Pledges Receivable - Unrestricted, net	129,504	185,334
Pledges Receivable - Temporarily Restricted, net	407,737	378,851
Other Receivables	2,095	7,705
Prepaid Assets	98,295	118,536
In-Kind Inventories	<u>12,934</u>	<u>32,883</u>
Total Current Assets	<u>1,030,120</u>	<u>788,534</u>
Other Assets:		
Mutual Fund Investments	1,454,411	1,954,607
Pledges Receivable, net	249,489	254,810
Other Long-Term Assets	28,568	27,303
Fixed Assets, net	<u>2,232,415</u>	<u>2,392,892</u>
Total Other Assets	<u>3,964,883</u>	<u>4,629,612</u>
Total Assets	<u>\$ 4,995,003</u>	<u>\$ 5,418,146</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 64,136	\$ 49,590
Accrued Liabilities	120,394	139,651
Current Portion of Obligations Under Capital Leases	<u>27,514</u>	<u>24,497</u>
Total Current Liabilities	212,044	213,738
Obligations Under Capital Leases - Long-Term	<u>48,510</u>	<u>72,701</u>
Total Liabilities	<u>260,554</u>	<u>286,439</u>
Net Assets:		
Unrestricted	3,658,912	4,084,731
Temporarily Restricted	771,827	748,266
Permanently Restricted	<u>303,710</u>	<u>298,710</u>
Total Net Assets	<u>4,734,449</u>	<u>5,131,707</u>
Total Liabilities and Net Assets	<u>\$ 4,995,003</u>	<u>\$ 5,418,146</u>

The accompanying notes are an integral part of these combined financial statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, Losses, and Other Support:				
Contributions:				
Corporate	\$ 761,430	\$ 365,150	\$ -	\$ 1,126,580
Individual	175,599	3,000	5,000	183,599
Foundations	<u>218,188</u>	<u>7,500</u>	<u>-</u>	<u>225,688</u>
Total Contributions	<u>1,155,217</u>	<u>375,650</u>	<u>5,000</u>	<u>1,535,867</u>
Special Events	1,012,497	129,520	-	1,142,017
Less: Direct Costs of Benefits to Donors	<u>(213,286)</u>	<u>-</u>	<u>-</u>	<u>(213,286)</u>
Special Events, net	<u>799,211</u>	<u>129,520</u>	<u>-</u>	<u>928,731</u>
Gains, Losses, and Other Support:				
Donated Items, Goods, and Services	106,105	-	-	106,105
Governmental Income	236,317	35,000	-	271,317
Other Income	239,463	-	-	239,463
Realized Loss on Investments	(921)	-	-	(921)
Unrealized Loss on Investments	(68,212)	(21,467)	-	(89,679)
Net Assets Released from Restrictions	<u>495,142</u>	<u>(495,142)</u>	<u>-</u>	<u>-</u>
Total Gains, Losses, and Other Support	<u>1,007,894</u>	<u>(481,609)</u>	<u>-</u>	<u>526,285</u>
Total Revenues, Gains, Losses, and Other Support	<u>2,962,322</u>	<u>23,561</u>	<u>5,000</u>	<u>2,990,883</u>
Expenses:				
Program Services	<u>2,383,524</u>	<u>-</u>	<u>-</u>	<u>2,383,524</u>
Fundraising:				
Cost of Soliciting Volunteers	20,741	-	-	20,741
Cost of Soliciting Contributions	<u>742,472</u>	<u>-</u>	<u>-</u>	<u>742,472</u>
Total Fundraising	<u>763,213</u>	<u>-</u>	<u>-</u>	<u>763,213</u>
Management and General	<u>241,404</u>	<u>-</u>	<u>-</u>	<u>241,404</u>
Total Expenses	<u>3,388,141</u>	<u>-</u>	<u>-</u>	<u>3,388,141</u>
Change in Net Assets	(425,819)	23,561	5,000	(397,258)
Net Assets, beginning of year	<u>4,084,731</u>	<u>748,266</u>	<u>298,710</u>	<u>5,131,707</u>
Net Assets, end of year	<u>\$ 3,658,912</u>	<u>\$ 771,827</u>	<u>\$ 303,710</u>	<u>\$ 4,734,449</u>

The accompanying notes are an integral part of these combined financial statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, Losses, and Other Support:				
Contributions:				
Corporate	\$ 796,644	\$ 194,750	\$ -	\$ 991,394
Individual	115,285	-	5,000	120,285
Foundations	<u>432,891</u>	<u>194,700</u>	<u>-</u>	<u>627,591</u>
Total Contributions	<u>1,344,820</u>	<u>389,450</u>	<u>5,000</u>	<u>1,739,270</u>
Special Events	1,008,857	144,176	-	1,153,033
Less: Direct Costs of Benefits to Donors	<u>(222,551)</u>	<u>-</u>	<u>-</u>	<u>(222,551)</u>
Special Events, net	<u>786,306</u>	<u>144,176</u>	<u>-</u>	<u>930,482</u>
Gains, Losses, and Other Support:				
Donated Items, Goods, and Services	295,317	-	-	295,317
Governmental Income	238,916	47,500	-	286,416
Other Income	206,008	-	-	206,008
Realized Gain on Investments	12,751	-	-	12,751
Unrealized Loss on Investments	(75,399)	(17,798)	-	(93,197)
Net Assets Released from Restrictions	<u>442,409</u>	<u>(442,409)</u>	<u>-</u>	<u>-</u>
Total Gains, Losses, and Other Support	<u>1,120,002</u>	<u>(412,707)</u>	<u>-</u>	<u>707,295</u>
Total Revenues, Gains, Losses, and Other Support	<u>3,251,128</u>	<u>120,919</u>	<u>5,000</u>	<u>3,377,047</u>
Expenses:				
Program Services	<u>2,384,719</u>	<u>-</u>	<u>-</u>	<u>2,384,719</u>
Fundraising:				
Cost of Soliciting Volunteers	23,615	-	-	23,615
Cost of Soliciting Contributions	<u>954,679</u>	<u>-</u>	<u>-</u>	<u>954,679</u>
Total Fundraising	<u>978,294</u>	<u>-</u>	<u>-</u>	<u>978,294</u>
Management and General	<u>217,092</u>	<u>-</u>	<u>-</u>	<u>217,092</u>
Total Expenses	<u>3,580,105</u>	<u>-</u>	<u>-</u>	<u>3,580,105</u>
Change in Net Assets	(328,977)	120,919	5,000	(203,058)
Net Assets, beginning of year	<u>4,413,708</u>	<u>627,347</u>	<u>293,710</u>	<u>5,334,765</u>
Net Assets, end of year	<u>\$ 4,084,731</u>	<u>\$ 748,266</u>	<u>\$ 298,710</u>	<u>\$ 5,131,707</u>

The accompanying notes are an integral part of these combined financial statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (397,258)	\$ (203,058)
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities		
Depreciation	201,225	196,857
Unrealized Loss on Investments	89,679	93,197
Loss on Disposal of Fixed Assets	-	18,527
Provision for Uncollectible Pledges Receivable	5,252	17,169
Amortization of Discount on Pledges Receivable	(178)	10,691
Donated Fixed Assets	(28,840)	(21,043)
Decrease (Increase) in Operating Assets:		
Pledges Receivable	27,191	(136,146)
Other Receivables	5,610	(6,803)
Prepaid Assets	20,241	(10,763)
In-Kind Inventory	19,949	(6,206)
Other Long-Term Assets	(1,265)	(4,488)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	14,546	(3,907)
Accrued Liabilities	<u>(19,257)</u>	<u>(14,228)</u>
Net Cash Used for Operating Activities	(63,105)	(70,201)
Net Cash Provided by (Used for) Investing Activities, from next page	399,960	(96,569)
Net Cash Used for Financing Activities, from next page	<u>(22,525)</u>	<u>(31,374)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	314,330	(198,144)
Cash and Cash Equivalents, beginning of year	<u>65,225</u>	<u>263,369</u>
Cash and Cash Equivalents, end of year	<u>\$ 379,555</u>	<u>\$ 65,225</u>

The accompanying notes are an integral part of these combined financial statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
 (CONTINUED)

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of Fixed Assets	\$ (10,557)	\$ (105,497)
Purchases of Investments	(743,182)	(591,919)
Sales of Investments	1,152,778	613,598
Realized Loss (Gain) on Investments	<u>921</u>	<u>(12,751)</u>
Net Cash Provided by (Used for) Investing Activities	<u>\$ 399,960</u>	<u>\$ (96,569)</u>
<u>Cash Flows from Financing Activities</u>		
Borrowings Under Line of Credit	\$ 565,000	\$ 595,000
Repayments Under Line of Credit	(565,000)	(595,000)
Repayments of Obligations Under Capital Leases	<u>(22,525)</u>	<u>(31,374)</u>
Net Cash Used for Financing Activities	<u>\$ (22,525)</u>	<u>\$ (31,374)</u>
<u>Schedule of Non-Cash Investing and Financing Activities</u>		
Additions to Fixed Assets	\$ 40,748	\$ 229,235
Less: Obligations Under Capital Leases Entered Into to Purchase Fixed Assets	(1,351)	(102,695)
Donated Fixed Assets	<u>(28,840)</u>	<u>(21,043)</u>
Cash Used to Purchase Fixed Assets	<u>\$ 10,557</u>	<u>\$ 105,497</u>
Obligation Under Capital Leases	\$ 1,351	\$ 102,695
Less: Purchase of Fixed Assets	<u>(1,351)</u>	<u>(102,695)</u>
Proceeds from Obligation Under Capital Leases	<u>\$ -</u>	<u>\$ -</u>
Cost of Fixed Assets Disposed of	\$ 4,100	\$ 209,468
Accumulated Depreciation on Fixed Assets Disposed of	(4,100)	(190,941)
Loss from Fixed Assets Disposed of	<u>-</u>	<u>(18,527)</u>
Proceeds from Fixed Assets Disposed of	<u>\$ -</u>	<u>\$ -</u>
<u>Supplemental Disclosure of Cash Paid for:</u>		
Interest	<u>\$ 14,546</u>	<u>\$ 8,457</u>
Income Taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these combined financial statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 1: The Organization and Its Significant Accounting Policies

The Organization

These combined financial statements include the accounts of Junior Achievement of Arizona, Inc. (“Junior Achievement”), and the following foundations which were established for the benefit of Junior Achievement: the Foundation for Junior Achievement of Arizona, Inc., and the Steven G. Mihaylo Junior Achievement Foundation. All of these entities (collectively, the “Organization”) are under common management and control. All material inter-affiliate accounts and transactions have been eliminated in these combined financial statements.

These combined financial statements do not include the Junior Achievement Endowment Fund (“Endowment”), which is an endowment set up for the benefit of Junior Achievement at the Arizona Community Foundation. Although, as beneficiary, Junior Achievement is entitled to receive the income from the Endowment and the income is to be used solely for the Organization’s programs, the trustees of the Endowment, Arizona Community Foundation, have variance power in determining the beneficiary. Because of that power, the Endowment does not meet the requirements for recording in the Organization’s combined financial statements under Financial Accounting Standards Board Codification (“FASC”) 958-20, Not-for-Profit, Financially Interrelated Entities.

Junior Achievement of Arizona has been educating K-12 students about entrepreneurship, work readiness, and financial literacy since 1957, and has offices in Tempe and Tucson.

Significant Accounting Policies

Basis of Combined Financial Statements

The Organization’s combined financial statements are prepared using the accrual basis of accounting. Accordingly, all revenues are recognized when earned, and all expenses are recognized when incurred.

Management Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses. Management is of the opinion that the estimates used in these combined financial statements are materially correct, however, actual results may differ.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 1: The Organization and Its Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The Organization uses fair value measurements to record certain assets and liabilities included in these combined financial statements. Accounting principles generally accepted in the United States of America establish a hierarchy that prioritizes inputs used in measuring fair value. The three levels of inputs are:

Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2

Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3

Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, pledges receivable, other receivables, accounts payable, and accrued liabilities approximate their carrying value, principally because of the short maturity of those instruments.

The fair value of the Organization's long-term pledges receivable is estimated by discounting the expected future cash flows using the rates currently offered for deposits of similar remaining maturities (Level 3 measurement).

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 1: The Organization and Its Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

The Organization carries all investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (Level 1 measurements) in the combined statements of financial position. Unrealized gains and losses are included in the accompanying combined statements of activities and changes in net assets.

Donated assets are recorded at their estimated fair market value on the date of the donation, and are carried at the lower of the originally recorded value or fair market value, if known (Level 3 measurement).

The same valuation techniques were used during the years ended June 30, 2016 and 2015.

Cash and Cash Equivalents

The Organization maintains substantially all of its available cash at a national financial institution and its affiliated brokerage firm. The Organization's funds maintained at the financial institution are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. Funds maintained at the brokerage firm are insured by the Securities Investment Protection Corporation up to a maximum amount of \$500,000, including a maximum of \$250,000 for cash balances. The Organization, at times, may maintain balances in excess of these insured limits.

For purposes of the combined statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Pledges Receivable

Pledges receivable consists primarily of amounts pledged as support in connection with the Organization's annual fund-raising campaigns and certain special events. These pledges are reported as an increase in net assets in the year in which the pledge is made by the donor.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 1: The Organization and Its Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Pledges Receivable (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using estimated risk-free interest rates applicable to the years in which the promises are received. Amortization of the related discounts is included in contribution revenue over the life of the promise.

The Organization uses the allowance method to determine potentially uncollectible pledges receivable. This allowance is based on historical collection experience and management's analysis of specific pledges.

Fixed Assets

Fixed assets are stated at historical cost, or if donated, at the fair market value at the date of the gift. Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives of the assets, which range from one to thirty-nine years. It is the Organization's policy to capitalize fixed assets with a cost in excess of \$250.

Maintenance and repairs are charged to expense and renewals and improvements are capitalized. When fixed assets are retired or disposed of, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in the combined statements of activities and changes in net assets.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are originally restricted by the donor are reported as increases in unrestricted net assets in the year in which the restrictions are fulfilled. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 1: The Organization and Its Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Functional Expenses

The cost of providing programs and other activities has been summarized on a functional basis in the combined statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program and supporting services based on the relative benefit to each. Costs unrelated to program services are allocated between fundraising and management and general expenses.

Donated Services

The Organization recognizes contribution revenue when certain specialized services are received if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These revenues are recorded at the estimated fair market value of the services. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its programs and services. The fair market value of these services has not been reflected in these combined financial statements.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 43-1201(4) of the Arizona Revised Statutes. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

The Organization utilizes the provisions of FASC 740-10, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 1: The Organization and Its Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Income Taxes (Continued)

Based on the Organization's evaluation of the June 30, 2013 through 2015 income tax returns and positions expected to be taken in the June 30, 2016 income tax returns, the Organization did not engage in activities or take uncertain tax positions that would jeopardize its tax-exempt status, or generate unrelated business income, which would be subject to taxation. In the event the Organization is assessed interest or penalties by major tax jurisdictions, it will be included in the provision for income taxes in the combined financial statements.

The Organization's federal and state income tax returns for the years ended June 30, 2013 through 2016 are subject to possible examination by the related taxing authorities. The taxing authorities generally have a period of three years after the returns were filed to examine them.

Advertising Costs

The Organization uses third-party advertising and its own website to promote its programs among the public it serves. All advertising costs are expensed as incurred. The Organization did not incur any advertising costs during the years ended June 30, 2016 or 2015.

Concentration of Revenues

The majority of the Organization's revenues arises from contributions and support from businesses, foundations, and individuals, most of whom are located or reside in the Phoenix and Tucson, Arizona metropolitan areas.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 2: Mutual Fund Investments

Investments in mutual funds classified as available-for-sale consist of the following as of June 30:

	<u>2016</u>		<u>2015</u>	
	Fair Market Value	Cost	Fair Market Value	Cost
Equity Funds	\$ 838,067	\$ 807,848	\$ 1,080,340	\$ 926,378
Bond Funds	420,739	408,105	608,234	619,752
Real Property	121,286	124,120	143,316	153,012
Other	<u>74,319</u>	<u>80,052</u>	<u>122,717</u>	<u>127,984</u>
Total Mutual Fund Investments	<u>\$ 1,454,411</u>	<u>\$ 1,420,125</u>	<u>\$ 1,954,607</u>	<u>\$ 1,827,126</u>

Note 3: Pledges Receivable

Pledges receivable consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Corporate Campaigns	\$ 523,676	\$ 462,320
Special Events Campaigns	141,435	84,003
All Other Campaigns	158,755	309,986
Allowance for Uncollectible Pledges	<u>(15,000)</u>	<u>(15,000)</u>
Pledges Receivable Before Discount	808,866	841,309
Less: Unamortized Discount	<u>(22,136)</u>	<u>(22,314)</u>
Pledges Receivable, net	<u>\$ 786,730</u>	<u>\$ 818,995</u>
Amounts Due In:		
Less than one year	\$ 537,241	\$ 564,185
One to five years	<u>249,489</u>	<u>254,810</u>
Total	<u>\$ 786,730</u>	<u>\$ 818,995</u>

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 3: Pledges Receivable (Continued)

Pledges receivable with due dates extending beyond one year were discounted using rates effective on the date of the pledge, which were between 3.25 and 3.50 percent.

Note 4: Fixed Assets

Fixed assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Building	\$ 2,717,176	\$ 2,717,176
Equipment	417,145	412,362
Land Improvements - Parking Lot	351,340	351,340
Furniture	189,579	181,102
Sponsor Improvements	73,900	48,490
Construction-in-Progress	<u>-</u>	<u>2,022</u>
	3,749,140	3,712,492
Less: Accumulated Depreciation	<u>(1,974,425)</u>	<u>(1,777,300)</u>
	1,774,715	1,935,192
Land	<u>457,700</u>	<u>457,700</u>
	<u>\$ 2,232,415</u>	<u>\$ 2,392,892</u>

Depreciation expense was \$201,225 and \$196,857 for the years ended June 30, 2016 and 2015, respectively, and is allocated to program services, fundraising, and management and general expense in the combined statements of activities and changes in net assets.

Note 5: Life Insurance Policies

The Organization owns and is the beneficiary of life insurance policies on three individuals. These policies have a combined face value of \$48,000, and have estimated death values of \$64,028 and \$62,884 as of June 30, 2016 and 2015, respectively. The individuals on two of the policies provide the Organization with the funds to make the related premium payments. Upon the death of the insured, the Organization will receive all benefits payable and, if the policy is terminated prior to the death of the insured, the Organization will receive the policy cash surrender value. As of June 30, 2016 and 2015, respectively, the estimated net cash value of the policies was \$22,460 and \$21,195, which is included in long-term assets in the combined statements of financial position.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
 NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
 (CONTINUED)

Note 6: Line of Credit

The Organization has a revolving line of credit agreement with a national financial institution which allows for advances to a maximum of \$450,000. This line of credit accrues interest at the greater of 5 percent or the prime rate plus 1 percent, is secured by substantially all of the Organization's unrestricted net assets, and matures during January 2017. As of June 30, 2016 and 2015, there were no amounts outstanding under this line of credit agreement.

Note 7: Obligations Under Capital Leases

The Organization leases certain fixed assets under agreements that have been classified as capital leases. The related assets are included in fixed assets as of June 30, 2016 and 2015, at a cost of \$112,147 and \$110,796, respectively, with accumulated depreciation of \$43,551 and \$16,213. The fixed assets serve as collateral under these capital leases.

Obligations under capital leases consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Obligations Under Capital Leases	\$ 76,024	\$ 97,198
Less: Current Portion	<u>(27,514)</u>	<u>(24,497)</u>
	<u>\$ 48,510</u>	<u>\$ 72,701</u>

Future minimum payments under these lease agreements are as follows during the years ending June 30:

2017	\$ 34,246
2018	34,081
2019	<u>18,821</u>
	87,148
Less: Amount Representing Interest	<u>(11,124)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 76,024</u>

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 8: Operating Leases

The Organization is party to an operating lease agreement for a lot used as an additional parking lot for the Organization's office located in Tempe, Arizona. This lease requires monthly payments of \$1,855 through May 31, 2018.

Future minimum lease payments under this lease agreement are as follows during the years ending June 30:

2017	\$ 22,360
2018	<u>20,405</u>
	<u>\$ 42,765</u>

The Organization incurred rent expense of \$23,921 and \$23,569 under this lease agreement, and an additional month-to-month lease for storage space, during the years ended June 30, 2016 and 2015, respectively.

The Organization's Tucson office space is provided at no charge by a former member of one of the Organization's Boards of Directors.

Note 9: Restricted Net Assets

Temporarily restricted net assets consist primarily of amounts to be used for scholarships and special events.

Permanently restricted net assets have donor-imposed restrictions that require the principal to be maintained in perpetuity. Investment income earned may be used by the Organization for program expenses, general operations, or scholarships, as designated by the donors.

Note 10: Donated Items, Goods, and Services

Contributed goods and materials, fixed assets, and services are recorded in the accompanying combined financial statements at estimated fair market value on the date of receipt. Contributed items, goods, and services received by the Organization to be used as auction items or otherwise be provided to donors and participants in connection with special events are recorded at estimated fair market value as in-kind inventory and in-kind revenue. When the Organization utilizes the contributed items, goods and services at the special events, in-kind inventory and in-kind revenue are reduced and the proceeds from the sale of the contributed items, goods and services are recorded as special events revenue.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 10: Donated Items, Goods, and Services (Continued)

Total in-kind contributions included in revenues were as follows during the years ended June 30:

	<u>2016</u>	<u>2015</u>
In-Kind Inventory	\$ 106,591	\$ 174,485
Services	8,410	34,765
Goods and Materials	87,154	233,788
Fixed Assets	<u>28,840</u>	<u>21,043</u>
Total In-Kind Contributions	230,995	464,081
Items, Goods, and Services Utilized at Special Events	<u>(124,890)</u>	<u>(168,764)</u>
Donated Items, Goods, and Services Revenue	<u>\$ 106,105</u>	<u>\$ 295,317</u>

The contributed goods, materials and services listed above are recorded in the following functional expense categories during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Donated Goods and Materials:		
Fundraising	\$ 22,932	\$ 69,392
Management and General	7,302	20,532
Program Services	<u>56,920</u>	<u>143,864</u>
Total Donated Goods and Materials	<u>\$ 87,154</u>	<u>\$ 233,788</u>
Donated Services:		
Fundraising	\$ 930	\$ -
Management and General	5,000	21,160
Program Services	<u>2,480</u>	<u>13,605</u>
Total Donated Services	<u>\$ 8,410</u>	<u>\$ 34,765</u>

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 11: Retirement Plans

The Organization has a defined contribution retirement plan which covers all employees who have met certain age and length of service requirements, as defined in the plan document.

The Organization makes contributions of 6.3 percent of eligible annual compensation to the plan. Contributions to the plan were \$66,440 and \$77,665 during the years ended June 30, 2016 and 2015, respectively.

The Organization has a 403(b) retirement plan. This plan allows employees to defer compensation on a pre-tax basis. The Organization does not contribute to this plan.

The Organization also has a 457(b) retirement plan. This plan allows highly compensated employees to defer additional compensation on a pre-tax basis. The Organization's president is the only employee eligible for this plan. The Organization does not contribute to this plan.

Note 12: Related Party Transactions

The Organization incurred national franchise fees totaling \$69,260 and \$77,737 to Junior Achievement, Inc. ("JA USA") during the years ended June 30, 2016 and 2015, respectively. The fee for the year ended June 30, 2016 was based upon actual revenue reported to JA USA during the period from July 1, 2013 through June 30, 2014, less any allowed waivers. The fee for the year ended June 30, 2015 was based upon actual revenue reported to JA USA during the period from July 1, 2012 through June 30, 2013, less any allowed waivers.

The Organization incurred liability insurance premiums totaling \$24,392 and \$24,960 to JA USA during the years ended June 30, 2016 and 2015, respectively. The premium for the year ended June 30, 2016 was based upon actual student numbers reported to JA USA during the period from July 1, 2013 through June 30, 2014. The premium for the year ended June 30, 2015 was based upon actual student numbers reported to JA USA during the period from July 1, 2012 through June 30, 2013.

The Organization also incurs an assessment of \$1.50 per student for the intellectual content of the JA BizTown[®] and JA Finance Park[®] programs. The student fees incurred to JA USA were \$32,213 and \$31,014 for the years ended June 30, 2016 and 2015, respectively.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Note 12: Related Party Transactions (Continued)

The Organization purchased and utilized certain educational materials from JA USA in the amounts of \$227,144 and \$253,345 during the years ended June 30, 2016 and 2015, respectively.

The Organization receives contributions, goods, and services from various members of the Organization's Boards of Directors and from their companies and employers, some at reduced rates and some at no cost to the Organization. Such goods and services include telephone service, legal services, advertising, moving services, and donated fixed assets. Management does not consider any of these transactions to be material to the combined financial statements.

The Organization also maintains substantially all of its available funds and has a line of credit and capital leases with companies whose employees serve on its Boards of Directors.

Note 13: Risks and Uncertainties

The Organization invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and could materially affect the amounts reported in the combined statements of financial position.

Note 14: Subsequent Events

The Organization has evaluated subsequent events through September 7, 2016, the date that these combined financial statements were available to be issued. There were no subsequent events that require adjustment to, or disclosure in the combined financial statements.