JUNIOR ACHIEVEMENT OF ARIZONA, INC.
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Junior Achievement of Arizona, Inc. and Affiliates
Tempe, Arizona

We have audited the accompanying financial statements of Junior Achievement of Arizona, Inc. and Affiliates (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the 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 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 combined 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 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 auditors' 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 assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Board of Directors
Junior Achievement of Arizona, Inc. and Affiliates

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, 2018, and the change in 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 Matter

The 2017 combined financial statements were audited by other auditors, whose report dated October 25, 2017, expressed an unmodified opinion on those statements.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 16 to the financial statements, an error was discovered by management during the current year related to prior year balances. Accordingly, amounts previously reported unrestricted net assets and temporarily restricted net assets have been restated and an adjustment has been made to net assets as of July 1, 2016 to correct the error. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
November 8, 2018

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 645,176	$ 324,539
Investments	1,188,594	1,165,769
Pledges Receivable - Unrestricted, Net	205,178	135,164
Pledges Receivable - Temporarily Restricted, Net	323,263	393,506
Other Receivables	37,768	19,331
Prepaid Assets	105,030	94,723
In-Kind Inventories	15,804	8,980
Total Current Assets	2,520,813	2,142,012
OTHER ASSETS		
Investments in Endowments	464,392	428,324
Pledges Receivable, Net	203,500	287,459
Other Long-Term Assets	30,154	29,843
Fixed Assets, Net	1,906,667	2,056,395
Total Other Assets	2,604,713	2,802,021
Total Assets	$ 5,125,526	$ 4,944,033
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 31,614	$ 21,546
Accrued Liabilities	166,973	171,127
Current Portion of Obligations Under Capital Leases	18,166	30,385
Total Current Liabilities	216,753	223,058
OBLIGATIONS UNDER CAPITAL LEASES - LONG-TERM	-	18,166
Total Liabilities	216,753	241,224
NET ASSETS		
Unrestricted	3,432,946	3,511,579
Temporarily Restricted	1,162,117	882,520
Permanently Restricted	313,710	308,710
Total Net Assets	4,908,773	4,702,809
Total Liabilities and Net Assets	$ 5,125,526	$ 4,944,033

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT				
Contributions:				
Corporate	$ 851,409	$ 272,197	$ -	$ 1,123,606
Individual	356,213	10,029	5,000	371,242
Foundations	101,495	308,600	-	410,095
Total Contributions	1,309,117	590,826	5,000	1,904,943
Special Events	1,155,016	85,600	-	1,240,616
Less Direct Costs of Benefit Donors	(264,476)	-	-	(264,476)
Special Events, Net	890,540	85,600	-	976,140
Gains, Losses, and Other Support:				
Donated Items, Goods, and Services	562,556	-	-	562,556
Governmental Revenue	383,852	24,000	-	407,852
Other Income	52,794	20,618	-	73,412
Realized Gain on Investments	75,979	63,014	-	138,993
Unrealized Loss on Investments	(43,412)	(40,818)	-	(84,230)
Net Assets Released from Restrictions	463,643	(463,643)	-	-
Total Gains, Losses and Other Support	1,495,412	(396,829)	-	1,098,583
Total Revenues, Gains, Losses and Other Support	3,695,069	279,597	5,000	3,979,666
EXPENSES				
Program Services	2,873,714	-	-	2,873,714
Fundraising:				
Cost of Soliciting Volunteers	9,780	-	-	9,780
Cost of Soliciting Contributions	655,100	-	-	655,100
Total Fundraising	664,880	-	-	664,880
Management and General	235,108	-	-	235,108
Total Expenses	3,773,702	-	-	3,773,702
CHANGE IN NET ASSETS	(78,633)	279,597	5,000	205,964
Net Assets - Beginning of Year	3,511,579	882,520	308,710	4,702,809
NET ASSETS - END OF YEAR	$ 3,432,946	$ 1,162,117	$ 313,710	$ 4,908,773

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT				
Contributions:				
Corporate	$ 852,719	$ 361,467	$ -	$ 1,214,186
Individual	253,868	12,814	5,000	271,682
Foundations	83,100	-	-	83,100
Total Contributions	1,189,687	374,281	5,000	1,568,968
Special Events	1,148,198	88,500	-	1,236,698
Less Direct Costs of Benefit Donors	(259,517)	-	-	(259,517)
Special Events, Net	888,681	88,500	-	977,181
Gains, Losses, and Other Support:				
Donated Items, Goods, and Services	412,302	-	-	412,302
Governmental Income	255,214	52,500	-	307,714
Other Income	195,203	18,080	-	213,283
Realized Gain on Investments	24,718	-	-	24,718
Unrealized Gain on Investments	56,193	37,531	-	93,724
Net Assets Released from Restrictions	554,587	(554,587)	-	-
Total Gains, Losses and Other Support	1,498,217	(446,476)	-	1,051,741
Total Revenues, Gains, Losses and Other Support	3,576,585	16,305	5,000	3,597,890
EXPENSES				
Program Services	2,691,997	-	-	2,691,997
Fundraising:				
Cost of Soliciting Volunteers	10,203	-	-	10,203
Cost of Soliciting Contributions	704,735	-	-	704,735
Total Fundraising	714,938	-	-	714,938
Management and General	222,595	-	-	222,595
Total Expenses	3,629,530	-	-	3,629,530
CHANGE IN NET ASSETS	(52,945)	16,305	5,000	(31,640)
Net Assets - Beginning of Year, As Previously Reported	3,658,912	771,827	303,710	4,734,449
Restatement of Net Assets	(94,388)	94,388		
Net Assets, - Beginning of Year, As Restated	3,564,524	866,215	303,710	4,734,449
NET ASSETS - END OF YEAR	$ 3,511,579	$ 882,520	$ 308,710	$ 4,702,809

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 205,964	$ (31,640)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	168,477	201,219
Contributions Restricted for Investment for Endowments	(5,000)	(5,000)
Net Realized and Unrealized (Gains) Losses on Investments	(54,763)	(118,442)
Loss on Disposal of Fixed Assets	278	-
Provision for Uncollectible Pledges Receivable	(1,600)	13,850
Amortization of Discount on Pledges Receivable	(5,347)	1,413
Donated Fixed Assets	-	(24,500)
(Increase) Decrease in Assets:		
Pledges Receivable	91,135	(44,662)
Other Receivables	(18,437)	(17,236)
Prepaid Assets	(10,307)	3,572
In-Kind Inventory	(6,824)	3,954
Other Long-Term Assets	(311)	(1,275)
Increase (Decrease) in Liabilities:		
Accounts Payable	10,068	(42,590)
Accrued Liabilities	(4,154)	50,733
Net Cash Provided (Used) by Operating Activities	369,179	(10,604)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(19,027)	(699)
Purchases of Investments	(1,650,991)	(320,378)
Sales of Investments	1,646,861	299,138
Net Cash Used by Investing Activities	(23,157)	(21,939)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Endowments	5,000	5,000
Repayments of Obligations Under Capital Leases	(30,385)	(27,473)
Net Cash Used by Financing Activities	(25,385)	(22,473)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	320,637	(55,016)
Cash and Cash Equivalents - Beginning of Year	324,539	379,555
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 645,176	$ 324,539
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 3,815	$ 6,185

See accompanying Notes to Combined Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (collectively, the Foundations). 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, 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, and 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.

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.

NOTE 1 SUMMARY OF 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 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.

The same valuation techniques were used during the years ended June 30, 2018 and 2017.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $2,500.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Organization recognizes contribution revenue when certain specialized services are received if the services (a) create or enhance nonfinancial 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.

Based on the Organization's evaluation of the June 30, 2015 through 2017 income tax returns and positions expected to be taken in the June 30, 2018 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.

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, 2018 or 2017.

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.

Reclassifications and Restatement

Certain reclassifications to previously reported June 30, 2017 amounts were made to be consistent with the June 30, 2018 presentation.

NOTE 2 INVESTMENTS

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

	2018		2017	
	Fair Market Value	Cost	Fair Market Value	Cost
Equity Funds - Domestic	$ 643,900	$ 603,180	$ 1,015,195	$ 873,081
Equity Funds - International	62,641	51,982	-	-
Mutual Funds	574,878	577,385	-	-
Fixed Income	212,168	218,971	381,511	380,110
Alternative Investments	98,679	99,183	94,788	93,668
Real Property	48,314	45,916	100,601	117,225
Cash Held for Endowments	12,406	12,406	1,998	1,996
Total Mutual Fund Investments	$ 1,652,986	$ 1,609,023	$ 1,594,093	$ 1,466,080

See Note 8 for a discussion of certain endowments included in the above balances.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30:

	2018	2017
Corporate Campaigns	$ 588,508	$ 657,740
Special Events Campaigns	132,700	96,869
All Other Campaigns	42,335	100,069
Allowance for Uncollectible Pledges	(13,400)	(15,000)
Total	750,143	839,678
Less: Unamortized Discount	(18,202)	(23,549)
Pledges Receivable, Net	$ 731,941	$ 816,129
Amounts Due in:		
Less than One Year	$ 528,441	$ 528,670
One to Five Years	203,500	287,459
Total	$ 731,941	$ 816,129

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 5%.

NOTE 4 FIXED ASSETS

Fixed assets consist of the following as of June 30:

	2018	2017
Building	$ 2,725,225	$ 2,720,375
Equipment	335,516	416,172
Land Improvements - Parking Lot	351,340	351,340
Furniture	161,076	189,579
Sponsor Improvements	91,578	95,900
Construction in Progress	14,180	-
Total	3,678,915	3,773,366
Less: Accumulated Depreciation	2,229,948	2,174,671
Total	1,448,967	1,598,695
Land	457,700	457,700
Fixed Assets, Net	$ 1,906,667	$ 2,056,395

Depreciation expense was $168,477 and $201,219 for the years ended June 30, 2018 and 2017 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 $66,125 and $65,099 as of June 30, 2018 and 2017, 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, 2018 and 2017, respectively, the estimated net cash value of the policies was $25,046 and $23,735, which is included in long-term assets in the combined statements of financial position.

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% or the prime rate plus 1%, is secured by substantially all of the Organization’s unrestricted net assets, and matures during December 2018. As of June 30, 2018 and 2017, 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, 2018 and 2017, at a cost of $112,147 with accumulated depreciation of $99,049 and $71,367, respectively. The fixed assets serve as collateral under these capital leases.

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

	2018	2017
Obligations Under Capital Leases	$ 18,166	$ 48,551
Less: Current Portion	18,166	30,385
Obligations Under Capital Leases, Net	$ -	$ 18,166

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

Year Ending June 30,	Amount
2019	$ 18,814
Less: Amount Representing Interest	(648)
Total	$ 18,166

NOTE 8 ENDOWMENT ASSETS

The Organization’s endowments include five individual donor-restricted funds. Endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The majority of the endowment funds of the Organization are included in the Organization’s mutual fund investments summarized in Note 2.

NOTE 8 ENDOWMENT ASSETS (CONTINUED)

Balances and changes in endowment assets as of and for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Assets - June 30, 2016, As Previously Reported	$ 103,530	$ (23,923)	$ 303,710	$ 383,317
Restatement of Beginning Balances	(105,192)	108,050	-	2,858
Endowment Assets - June 30, 2016, As Restated	(1,662)	84,127	303,710	386,175
Donor Contributions	-	-	5,000	5,000
Investment Return:				
Investment Income	-	18,080	-	18,080
Net Appreciation (Realized/ Unrealized Gains)	-	37,531	-	37,531
Recovery of Underwater Endowments	1,662	-	-	1,662
Amounts Expended	-	(20,124)	-	(20,124)
Endowment Assets - June 30, 2017	-	119,614	308,710	428,324
Donor Contributions	-	-	5,000	5,000
Investment Return:				
Investment Income	-	20,618	-	20,618
Net Appreciation (Realized/ Unrealized Gains)	-	22,196	-	22,196
Amounts Expended	-	(11,746)	-	(11,746)
Endowment Assets - June 30, 2018	$ -	$ 150,682	$ 313,710	$ 464,392

Interpretation of Relevant Law

The Foundations' trustees have interpreted the Arizona Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of June 30, 2018 and 2017, there were no such donor stipulations.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give, net of discount and allowance for doubtful accounts) and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's board of directors in a manner consistent with the standard of prudence prescribed by the Act.

NOTE 8 ENDOWMENT ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization follows 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. Under the investment policy as approved by the Foundations' trustees, the endowment assets are invested in a manner that is intended to produce results that over time exceed the total return of the various benchmark indices in the investment policy guidelines, while assuming an appropriate level of investment risk.

To address 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 and current yield. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Organization's spending policy complies with the spending limitations in the donor gift instruments.

Fund 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 the Act requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting policies accepted in the United States, deficiencies of this nature are reported in unrestricted net assets were $1,662 and $-0-, respectively. Generally, these deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

NOTE 9 INVESTMENT EARNINGS

Total investment income and gains for the years ended June 30 consist of the following:

	2018	2017
Interest and Dividend Income (Included in Other Income)	$ 55,158	$ 53,752
Realized and Unrealized Gains, Net	54,763	118,442
Investment Income, Net	$ 109,921	$ 172,194

NOTE 10 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 $1,909 through May 31, 2018. The total remaining lease payments under this agreement are $22,908.

The Organization incurred rent expense of $25,784 and $24,005 under this lease agreement, and an additional month-to-month lease for storage space, during the years ended June 30, 2018 and 2017, 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 11 RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for the years ended June 30:

	2018	2017
Time Restrictions	$ 532,110	$ 762,906
Purpose Restrictions	479,325	-
Endowment Assets	150,682	119,614
Total Temporarily Restricted Net Assets	$ 1,162,117	$ 882,520

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 12 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.

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

	2018	2017
In-Kind Inventory	$ 75,823	$ 157,211
Services	7,600	35,067
Goods and Materials	546,363	357,449
Fixed Assets	-	24,500
Total In-Kind Contributions	629,786	574,227
Items, Goods, and Services Utilized at Special Events	(67,230)	(161,925)
Total Donated Items, Goods, and Services Revenue	$ 562,556	$ 412,302

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

	2018	2017
Donated Goods and Materials:		
Fundraising	$ 20,136	$ 15,462
Management and General	38,284	27,431
Program Services	483,767	314,556
Total Donated Goods and Materials	$ 542,187	$ 357,449
Donated Services:		
Fundraising	$ 1,000	$ 7,500
Management and General	6,600	12,567
Program Services	-	15,000
Total Donated Services	$ 7,600	$ 35,067

NOTE 13 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% of eligible annual compensation to the plan. Contributions to the plan were $95,715 and $82,918 during the years ended June 30, 2018 and 2017, 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 14 RELATED PARTY TRANSACTIONS

The Organization incurred national franchise fees totaling $76,755 and $75,218 to Junior Achievement, Inc. (JA USA) during the years ended June 30, 2018 and 2017, respectively. The fee for the year ended June 30, 2018 was based upon actual revenue reported to JA USA during the period from July 1, 2016 through June 30, 2017, less any allowed waivers. The fee for the year ended June 30, 2017 was based upon actual revenue reported to JA USA during the period from July 1, 2015 through June 30, 2016, less any allowed waivers.

The Organization incurred liability insurance premiums totaling $23,818 and $21,180 to JA USA during the years ended June 30, 2018 and 2017, respectively. The premium for the year ended June 30, 2017 was based upon actual student numbers reported to JA USA during the period from June 30, 2014 through June 30, 2015. The premium for the year ended June 30, 2016 was based upon actual student numbers reported to JA USA during the period from June 30, 2013 through June 30, 2014.

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 $39,203 and $34,893 for the years ended June 30, 2018 and 2017, respectively.

The Organization purchased and utilized certain educational materials from JA USA in the amounts of $171,100 and $159,685 during the years ended June 30, 2018 and 2017, respectively.

The Organization purchased software from JA USA in the amounts of $4,000 and $-0- during the years ended June 30, 2018 and 2017, respectively.

The Organization owed JA USA $6,230 and $-0- at June 30, 2018 and 2017, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS (CONTINUED)

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 amounts received from board members totaled $123,157 and $132,323 during the years ended June 30, 2018 and 2017, respectively.

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 15 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 16 CORRECTION OF AN ERROR

During the year ended June 30, 2018, an error related to endowment investment earnings not recorded in temporarily restricted net assets were discovered as of June 30, 2016. The error caused the July 1, 2016 unrestricted net assets to be overstated by $94,388 and temporarily net assets to be understated by $94,388. Accordingly, the applicable July 1, 2016 amounts have been restated.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 8, 2018, 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.

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