JUNIOR ACHIEVEMENT
OF ARIZONA, INC. AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

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COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Correction of Error

As discussed in Note 1 to the financial statements, the absence of certain required disclosures relating to the Organization's endowment funds were discovered by Organization management during the current year. Accordingly, the June 30, 2016 combined financial statements have been restated to correct the error. Our opinion is not modified with respect to that matter.

Sanders Ely, Swenson & Taylor, P.C.

Phoenix, Arizona
October 25, 2017

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current Assets:		
Cash and Cash Equivalents	$ 326,537	$ 379,555
Pledges Receivable - Unrestricted, net	135,164	129,504
Pledges Receivable - Temporarily Restricted, net	393,506	407,737
Other Receivables	19,331	2,095
Prepaid Assets	94,723	98,295
In-Kind Inventories	8,980	12,934
Total Current Assets	978,241	1,030,120
Other Assets:		
Mutual Fund Investments	1,592,095	1,454,411
Pledges Receivable, net	287,459	249,489
Other Long-Term Assets	29,843	28,568
Fixed Assets, net	2,056,395	2,232,415
Total Other Assets	3,965,792	3,964,883
Total Assets	$ 4,944,033	$ 4,995,003

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities:		
Accounts Payable	$ 21,546	$ 64,136
Accrued Liabilities	171,127	120,394
Current Portion of Obligations Under Capital Leases	30,385	27,514
Total Current Liabilities	223,058	212,044
Obligations Under Capital Leases - Long-Term	18,166	48,510
Total Liabilities	241,224	260,554
Net Assets:		
Unrestricted	3,605,967	3,658,912
Temporarily Restricted	788,132	771,827
Permanently Restricted	308,710	303,710
Total Net Assets	4,702,809	4,734,449
Total Liabilities and Net Assets	$ 4,944,033	$ 4,995,003

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, 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 Benefits to 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	213,283	-	-	213,283
Realized Gain on Investments	24,718	-	-	24,718
Unrealized Gain on Investments	68,498	25,226	-	93,724
Net Assets Released from Restrictions	524,202	(524,202)	-	-
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	3,658,912	771,827	303,710	4,734,449
Net Assets, end of year	$ 3,605,967	$ 788,132	$ 308,710	$ 4,702,809

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses, and Other Support:				
Contributions:				
Corporate	$ 811,930	$ 365,150	$ -	$ 1,177,080
Individual	175,599	3,000	5,000	183,599
Foundations	167,688	7,500	-	175,188
Total Contributions	1,155,217	375,650	5,000	1,535,867
Special Events	1,012,497	129,520	-	1,142,017
Less: Direct Costs of Benefits to Donors	(213,286)	-	-	(213,286)
Special Events, net	799,211	129,520	-	928,731
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	495,142	(495,142)	-	-
Total Gains, Losses, and Other Support	1,007,894	(481,609)	-	526,285
Total Revenues, Gains, Losses, and Other Support	2,962,322	23,561	5,000	2,990,883
Expenses:				
Program Services	2,383,524	-	-	2,383,524
Fundraising:				
Cost of Soliciting Volunteers	20,741	-	-	20,741
Cost of Soliciting Contributions	742,472	-	-	742,472
Total Fundraising	763,213	-	-	763,213
Management and General	241,404	-	-	241,404
Total Expenses	3,388,141	-	-	3,388,141
Change in Net Assets	(425,819)	23,561	5,000	(397,258)
Net Assets, beginning of year	4,084,731	748,266	298,710	5,131,707
Net Assets, end of year	$ 3,658,912	$ 771,827	$ 303,710	$ 4,734,449

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, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	$ (31,640)	$ (397,258)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities		
Depreciation	201,219	201,225
Unrealized (Gain) Loss on Investments	(93,724)	89,679
Loss on Disposal of Fixed Assets	-	-
Provision for Uncollectible Pledges Receivable	13,850	5,252
Amortization of Discount on Pledges Receivable	1,413	(178)
Donated Fixed Assets	(24,500)	(28,840)
Decrease (Increase) in Operating Assets:		
Pledges Receivable	(44,662)	27,191
Other Receivables	(17,236)	5,610
Prepaid Assets	3,572	20,241
In-Kind Inventory	3,954	19,949
Other Long-Term Assets	(1,275)	(1,265)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(42,590)	14,546
Accrued Liabilities	50,733	(19,257)
Net Cash Provided by (Used for) Operating Activities	19,114	(63,105)
Net Cash (Used for) Provided by Investing Activities, from next page	(44,659)	399,960
Net Cash Used for Financing Activities, from next page	(27,473)	(22,525)
Net (Decrease) Increase in Cash and Cash Equivalents	(53,018)	314,330
Cash and Cash Equivalents, beginning of year	379,555	65,225
Cash and Cash Equivalents, end of year	$ 326,537	$ 379,555

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, 2017 AND 2016
(CONTINUED)

	2017	2016
Cash Flows from Investing Activities		
Purchases of Fixed Assets	$ (699)	$ (10,557)
Purchases of Investments	(318,380)	(743,182)
Sales of Investments	299,138	1,152,778
Realized (Gain) Loss on Investments	(24,718)	921
Net Cash (Used for) Provided by Investing Activities	$ (44,659)	$ 399,960
Cash Flows from Financing Activities		
Borrowings Under Line of Credit	$ -	$ 565,000
Repayments Under Line of Credit	-	(565,000)
Repayments of Obligations Under Capital Leases	(27,473)	(22,525)
Net Cash Used for Financing Activities	$ (27,473)	$ (22,525)
Schedule of Non-Cash Investing and Financing Activities		
Additions to Fixed Assets	$ 25,199	$ 40,748
Less: Obligations Under Capital Leases Entered Into to Purchase Fixed Assets	-	(1,351)
Donated Fixed Assets	(24,500)	(28,840)
Cash Used to Purchase Fixed Assets	$ 699	$ 10,557
Obligation Under Capital Leases	$ -	$ 1,351
Less: Purchases of Fixed Assets	-	(1,351)
Proceeds from Obligation Under Capital Leases	$ -	$ -
Cost of Fixed Assets Disposed of	$ 973	$ 4,100
Accumulated Depreciation on Fixed Assets Disposed of	(973)	(4,100)
Gain (Loss) from Fixed Assets Disposed of	-	-
Proceeds from Fixed Assets Disposed of	$ -	$ -
Supplemental Disclosure of Cash Paid for:		
Interest	$ 6,185	$ 14,546
Income Taxes	$ -	$ -

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

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 (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, 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.

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).

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, 2017 and 2016.

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.

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.

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.

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, 2014 through 2016 income tax returns and positions expected to be taken in the June 30, 2017 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, 2014 through 2017 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, 2017 or 2016.

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, 2016 amounts were made to be consistent with the June 30, 2017 presentation.

In addition, the previously issued June 30, 2016 combined financial statements have been restated to include the information in Note 8 regarding endowment assets. There was no effect to any reported amounts on the previously issued combined statements of financial position, of activities and changes in net assets, or of cash flows.

Note 2: Mutual Fund Investments

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

	2017		2016	
	Fair Market Value	Cost	Fair Market Value	Cost
Equity Funds	$ 1,015,195	$ 873,081	$ 838,067	$ 807,848
Bond Funds	381,511	380,110	420,739	408,105
Real Property	100,601	117,225	121,286	124,120
Other	94,788	93,668	74,319	80,052
Total Mutual Fund Investments	$ 1,592,095	$ 1,464,084	$ 1,454,411	$ 1,420,125

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:

	2017	2016
Corporate Campaigns	$657,740	$ 523,676
Special Events Campaigns	96,869	141,435
All Other Campaigns	100,069	158,755
Allowance for Uncollectible Pledges	(15,000)	(15,000)
Pledges Receivable Before Discount	839,678	808,866
Less: Unamortized Discount	(23,549)	(22,136)
Pledges Receivable, net	$ 816,129	$ 786,730
Amounts Due In:		
Less than one year	$ 528,670	$ 537,241
One to five years	287,459	249,489
Total	$ 816,129	$ 786,730

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 4.25 percent.

Note 4: Fixed Assets

Fixed assets consist of the following as of June 30:

	2017	2016
Building	$ 2,720,375	$ 2,717,176
Equipment	416,172	417,145
Land Improvements - Parking Lot	351,340	351,340
Furniture	189,579	189,579
Sponsor Improvements	95,900	73,900
	3,773,366	3,749,140
Less: Accumulated Depreciation	(2,174,671)	(1,974,425)
	1,598,695	1,774,715
Land	457,700	457,700
	$ 2,056,395	$ 2,232,415

Depreciation expense was $201,219 and $201,225 for the years ended June 30, 2017 and 2016 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 $65,099 and $64,028 as of June 30, 2017 and 2016, 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, 2017 and 2016, respectively, the estimated net cash value of the policies was $23,735 and $22,460, 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 percent or the prime rate plus 1 percent, is secured by substantially all of the Organization's unrestricted net assets, and matures during November 2017. As of June 30, 2017 and 2016, 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, 2017 and 2016, at a cost of $112,147 with accumulated depreciation of $71,367 and $43,551. The fixed assets serve as collateral under these capital leases.

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

	2017	2016
Obligations Under Capital Leases	$ 48,551	$ 76,024
Less: Current Portion	(30,385)	(27,514)
	$ 18,166	$ 48,510

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

2018	$ 33,831
2019	18,662
	52,493
Less: Amount Representing Interest	(3,942)
Present Value of Future Minimum Lease Payments	$ 48,551

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.

Balances and changes in endowment assets as of and for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Endowment Assets, June 30, 2015	$ 119,237	$ (10,209)	$ 298,710	$ 407,738
Donor Contributions	-	-	5,000	5,000
Investment Return:				
Investment Income	20,312	-	-	20,312
Unrealized Loss	(17,798)	(13,714)	-	(31,512)
Amounts Expended	(18,221)	-	-	(18,221)
Endowment Assets, June 30, 2016	103,530	(23,923)	303,710	383,317
Donor Contributions	-	-	5,000	5,000
Investment Return:				
Investment Income	18,080	-	-	18,080
Unrealized (Loss) Gain	(21,466)	59,327	-	37,861
Amounts Expended	(20,124)	-	-	(20,124)
Endowment Assets, June 30, 2017	$ 80,020	$ 35,404	$ 308,710	$ 424,134

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, 2017 and 2016, there were no such donor stipulations.

Note 8: Endowment Assets (Continued)

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.

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

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.

Note 9: 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 $20,999.

The Organization incurred rent expense of $24,005 and $23,921 under this lease agreement, and an additional month-to-month lease for storage space, during the years ended June 30, 2017 and 2016, 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 10: Restricted Net Assets

Temporarily restricted net assets consist primarily of amounts to be used for programs 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 11: 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.

Note 11: Donated Items, Goods, and Services (Continued)

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

	2017	2016
In-Kind Inventory	$ 157,211	$ 106,591
Services	35,067	8,410
Goods and Materials	357,449	87,154
Fixed Assets	24,500	28,840
Total In-Kind Contributions	574,227	230,995
Items, Goods, and Services Utilized at Special Events	(161,925)	(124,890)
Donated Items, Goods, and Services Revenue	$ 412,302	$ 106,105

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

	2017	2016
Donated Goods and Materials:		
Fundraising	$ 15,462	$ 22,932
Management and General	27,431	7,302
Program Services	314,556	56,920
Total Donated Goods and Materials	$ 357,449	$ 87,154
Donated Services:		
Fundraising	$ 7,500	$ 930
Management and General	12,567	5,000
Program Services	15,000	2,480
Total Donated Services	$ 35,067	$ 8,410

Note 12: 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 $82,918 and $66,440 during the years ended June 30, 2017 and 2016, 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 13: Related Party Transactions

The Organization incurred national franchise fees totaling $75,218 and $69,260 to Junior Achievement, Inc. ("JA USA") during the years ended June 30, 2017 and 2016, respectively. The fee for the year ended June 30, 2017 was based upon actual revenue reported to JA USA during the period from June 30, 2014 through June 30, 2015, less any allowed waivers. The fee for the year ended June 30, 2016 was based upon actual revenue reported to JA USA during the period from June 30, 2013 through June 30, 2014, less any allowed waivers.

The Organization incurred liability insurance premiums totaling $21,180 and $24,392 to JA USA during the years ended June 30, 2017 and 2016, 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 $34,893 and $32,213 for the years ended June 30, 2017 and 2016, respectively.

Note 13: Donated Items, Goods, and Services (Continued)

The Organization purchased and utilized certain educational materials from JA USA in the amounts of $159,685 and $227,144 during the years ended June 30, 2017 and 2016, 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 14: 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 15: Subsequent Events

The Organization has evaluated subsequent events through October 25, 2017, 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.