Junior Achievement of Chicago

Financial Report
June 30, 2019

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Contents

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Independent Auditor's Report

To the Board of Directors
Junior Achievement of Chicago

Report on the Financial Statements
We have audited the accompanying financial statements of Junior Achievement of Chicago which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Chicago as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
Junior Achievement of Chicago adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* during the year ended June 30, 2019. The adoption of the standard resulted in additional footnote disclosures and changes to classification of net assets and the disclosures related to net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

Chicago, Illinois
September 11, 2019

Junior Achievement of Chicago

Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 915,454**	$ 583,617
Pledges receivable	**477,395**	293,994
Prepaid expenses and other	**314,400**	334,641
Total current assets	**1,707,249**	1,212,252
Investments	**19,116,802**	19,297,249
Assets held under 457(b) plan	**355,247**	326,444
Equipment:		
Office equipment and furniture	**653,351**	596,543
Automobiles	**67,569**	67,569
	720,920	664,112
Less accumulated depreciation	**513,187**	429,402
	207,733	234,710
Total assets	**$ 21,387,031**	$ 21,070,655
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 215,510**	$ 18,035
Accrued expenses	**497,923**	553,184
Deferred revenue	**272,957**	148,510
Awards payable	**25,221**	18,221
Total current liabilities	**1,011,611**	737,950
457(b) plan deferred compensation liability	**355,247**	326,444
Net assets:		
Without donor restrictions:		
Operations	**3,488,984**	3,161,394
Investment in equipment	**207,733**	234,710
Board-designated endowments	**16,193,456**	16,480,157
	19,890,173	19,876,261
With donor restrictions	**130,000**	130,000
Total net assets	**20,020,173**	20,006,261
Total liabilities and net assets	**$ 21,387,031**	$ 21,070,655

See notes to financial statements.

Junior Achievement of Chicago

Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Activities without donor restrictions:		
Operating:		
Support and revenue:		
Contributions:		
Corporate and individuals	$ 3,940,330	$ 4,105,252
Grants and program sponsorships	407,397	430,770
Special events	2,074,307	1,862,823
Contributed services	30,000	30,000
	6,452,034	6,428,845
Less:		
Expenses related to special events	281,487	282,477
Net contributions	6,170,547	6,146,368
Other income	2,480	22,270
Investment income	1,266	647
Appropriation of Board-designated endowments	1,150,000	1,150,000
Total operating support and revenue	7,324,293	7,319,285
Expenses:		
Program services	5,526,494	5,629,493
Management and general	796,007	843,207
Development and fundraising	701,179	619,462
Total operating expenses	7,023,680	7,092,162
Increase in net assets without donor restrictions from operating activities	300,613	227,123
Nonoperating:		
Support and revenue:		
75th-anniversary campaign - Board-designated endowments	41,058	450,033
Investment interest and dividends	397,166	282,117
Gain on investments	431,075	960,372
Total nonoperating support and revenue	869,299	1,692,522
Expenses:		
Scholarships	6,000	6,000
Appropriation of Board-designated endowments	1,150,000	1,150,000
Total nonoperating expenses	1,156,000	1,156,000
(Decrease) increase in net assets without donor restrictions from nonoperating activities	(286,701)	536,522
Increase in net assets without donor restrictions	13,912	763,645
Net assets:		
Beginning of year	20,006,261	19,242,616
End of year	$ 20,020,173	$ 20,006,261

See notes to financial statements.

Junior Achievement of Chicago

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Management and General	Development and Fundraising	Total
Salary, payroll taxes and benefits	$ 3,391,149	$ 609,824	$ 559,275	$ 4,560,248
Rent, heat and electricity	140,166	36,080	18,689	194,935
Maintenance and cleaning	26,795	5,346	3,564	35,705
Promotional activities	18,489	14,425	34,618	67,532
Program material and related expenses	1,482,102	-	-	1,482,102
Stationery, supplies and postage	50,974	5,154	3,070	59,198
Telephone	48,243	11,394	6,215	65,852
Travel and meetings	144,425	17,340	6,284	168,049
Insurance	131,038	26,458	17,472	174,968
Staff conferences	6,711	13,855	2,007	22,573
Professional services	836	36,226	111	37,173
Computer programming	10,147	1,966	1,311	13,424
Depreciation	73,473	14,695	9,796	97,964
Miscellaneous	1,946	3,244	38,767	43,957
Total expenses	$ 5,526,494	$ 796,007	$ 701,179	$ 7,023,680

See notes to the financial statements.

Junior Achievement of Chicago

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Management and General	Development and Fundraising	Total
Salary, payroll taxes and benefits	$ 3,486,069	$ 645,528	$ 481,261	$ 4,612,858
Rent, heat and electricity	139,419	36,025	18,589	194,033
Maintenance and cleaning	24,945	4,965	3,310	33,220
Promotional activities	15,989	9,030	42,072	67,091
Program material and related expenses	1,518,440	-	-	1,518,440
Stationery, supplies and postage	51,889	4,657	1,932	58,478
Telephone	48,397	10,587	5,813	64,797
Travel and meetings	147,843	15,943	5,280	169,066
Insurance	111,937	22,388	14,925	149,250
Staff conferences	11,725	11,720	2,546	25,991
Professional services	825	35,518	110	36,453
Computer programming	10,315	2,113	1,375	13,803
Depreciation	60,320	40,377	8,043	108,740
Miscellaneous	1,380	4,356	34,206	39,942
Total expenses	$ 5,629,493	$ 843,207	$ 619,462	$ 7,092,162

See notes to the financial statements.

Junior Achievement of Chicago

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating and nonoperating activities:		
Increase in net assets	**$ 13,912**	$ 763,645
Adjustments to reconcile increase in net assets to net cash used in operating and nonoperating activities:		
Depreciation	**97,964**	108,740
Gain on investments	**(431,075)**	(960,372)
Changes in operating assets and liabilities:		
Pledges receivable	**(183,401)**	102,280
Prepaid expenses and other	**20,241**	(37,338)
Accounts payable	**197,475**	(212,216)
Accrued expenses	**(55,261)**	106,783
Deferred revenue	**124,447**	(98,131)
Awards payable	**7,000**	(23,000)
Net cash used in operating and nonoperating activities	**(208,698)**	(249,609)
Cash flows from investing activities:		
Purchase of investments	**(908,387)**	(9,332,546)
Proceeds from sale of investments	**1,519,909**	9,306,706
Purchase of equipment	**(70,987)**	(75,261)
Net cash provided by (used in) investing activities	**540,535**	(101,101)
Net increase (decrease) in cash and cash equivalents	**331,837**	(350,710)
Cash and cash equivalents:		
Beginning of year	**583,617**	934,327
End of year	**$ 915,454**	$ 583,617

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Junior Achievement of Chicago is a nonprofit organization which inspires and prepares young people to succeed in a global economy. Junior Achievement of Chicago is affiliated with Junior Achievement USA® (JA USA), the U.S. national organization of all Junior Achievement offices in the United States of America.

A summary of significant accounting policies follows.

Basis of presentation: Junior Achievement of Chicago's financial statements have been prepared to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activity are classified into the following net asset categories, based on the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions, including Board-designated net assets. These include amounts that have been designated by the Board of Directors as an endowment, but which can be released for program operations upon the direction of the Board.

With donor restrictions – Net assets subject to donor-imposed restrictions carry restrictions that expire upon the passing of a prescribed period or upon the occurrence of a stated event as specified by the donor, at which time they are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Also included in this category are net assets subject to donor-directed restrictions to be maintained in perpetuity by Junior Achievement of Chicago. Items that affect this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income be made available for scholarships.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Accounting policies: Junior Achievement of Chicago follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial position, results of activities and cash flows. References to generally accepted accounting principles in these disclosures are to the *FASB Accounting Standards Codification*™, sometimes referred to as the Codification or ASC.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition: Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at estimated fair value at date of gift.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions received with donor-imposed restrictions which are met within the same year are recorded as revenue without donor restrictions.

Operations: Operating results in the statements of activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items associated primarily with long-term investments.

Operating expenses are presented in the statement of activities on a functional basis. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salary, payroll taxes and benefits which are allocated on the basis of estimates of time and effort. Rent, heat and electricity, maintenance and cleaning, telephone, insurance, computer programing, and depreciation, are allocated by department headcounts.

Contributed services and donated facilities: A substantial number of unpaid volunteers have made contributions of time to assist in development and fundraising activities and program services. These services do not meet the criteria for inclusion in the financial statements due to not requiring specialized skills. Contributed professional services and donated facilities meeting the criteria for inclusion in the financial statements are recorded at their estimated fair value.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, cash on demand and money market funds. Junior Achievement of Chicago maintains its cash in bank accounts which, at times, may exceed federally insured limits. Junior Achievement of Chicago has not experienced any losses in such accounts.

Investments: Investments are stated at fair value. The fair values of investments are generally determined based on quoted market prices. Changes in fair value are recorded as realized and unrealized gains (losses) in the statements of activities.

Junior Achievement of Chicago's investment portfolio is subject to various risks, such as market risk. Because of these risks, changes in the fair value of the investments may occur, and such changes could materially affect Junior Achievement of Chicago's financial statements.

Pledges receivable: Pledges receivable consist of amounts unconditionally pledged but not received. An allowance for receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Management considers the receivables recorded at June 30, 2019 and 2018, to be fully collectible.

Equipment: Equipment purchases are recorded at cost. Donated assets are recorded at fair value, as of the date of contribution. The assets are depreciated over the estimated useful lives of the respective assets on a straight-line basis as follows: automobiles (5 years) and office equipment and furniture (3 years).

The cost and related accumulated depreciation are removed from the accounts upon retirement or other disposition. Expenditures for maintenance and repairs are charged to expense as incurred.

Endowments: The Board of Directors has established an endowment fund with the objective of ensuring the longevity of Junior Achievement of Chicago. The endowment fund includes donor-restricted and Board-designated endowment funds.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions to the endowment fund, investment earnings on endowment fund assets and any expenses incurred related to the endowment fund are presented as nonoperating transactions in the statement of activities in order to segregate the change in the Board-designated endowment funds from the results of general operations.

Gifts in connection with the campaign for the 75^{th} anniversary were earmarked as an increase in the Board-designated endowment and are presented in the nonoperating section of the statement of activities.

Deferred revenue: Amounts received from sponsors and others in connection with future events are initially recorded as deferred revenue and then recognized as revenue in the fiscal year in which the event occurs.

Reclassification: Certain 2018 balances have been reclassified to conform to the current year presentation without any effect on previously reported net assets or changes in net assets.

Adopted accounting pronouncement: In fiscal year 2019, Junior Achievement of Chicago adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses net asset classifications, and reporting and disclosures about liquidity, financial performance, expenses and cash flows. Certain provisions, as required, have been applied retrospectively to 2018. Amounts previously reported as temporarily or permanently restricted have been reclassified to be reported as net assets with donor restrictions. In addition, Junior Achievement of Chicago has added or enhanced disclosures for liquidity, net assets and expenses.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective. The updated standard is effective for Junior Achievement of Chicago in the fiscal year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard will be effective for Junior Achievement of Chicago in the fiscal year ending June 30, 2021.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective for Junior Achievement of Chicago in the fiscal year ending June 30, 2020.

Junior Achievement of Chicago is currently evaluating the impact of the adoption of these standards on its financial statements.

Subsequent events: Junior Achievement of Chicago has evaluated subsequent events for potential recognition and/or disclosure through September 11, 2019, the date these financial statements were available to be issued.

Note 2. Tax Status

According to the Internal Revenue Service, Junior Achievement of Chicago is considered a subordinate organization of Junior Achievement USA and is recognized as a 501(c)(3) organization and is entitled to all rights of a 501(c)(3) organization.

Junior Achievement of Chicago considers whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements, and may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Junior Achievement of Chicago and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

Junior Achievement of Chicago annually files Form 990 in the U.S. federal jurisdiction and in the States of Illinois and Indiana.

Note 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year at June 30, 2019, are as follows:

Cash and cash equivalents	$	915,454
Pledges receivable		477,395
Investments less endowment funds		2,793,346
	$	4,186,195

Endowment funds consist of donor restricted endowments of $130,000 and funds designated by the board as endowments. Income from donor restricted endowments is restricted for specific purpose. Donor restricted endowment funds are not available for general expenditure.

Junior Achievement of Chicago's Board-designated endowment of $16,193,456 is subject to an annual Board approved spending formula (Note 9). Although, Junior Achievement of Chicago does not intend to spend from the Board-designated endowment, other than amounts appropriate for general expenditure as part of the Board's annual budget approval and appropriation, these amounts could be made available if necessary.

As part of Junior Achievement of Chicago's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

Note 4. Investments

The composition of investment assets held by Junior Achievement of Chicago is summarized as follows at June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Investments - endowment:				
Morgan Stanley Money Market/ other cash holdings	$ 185,548	$ 185,548	$ 204,708	$ 204,708
Fixed income:				
Government agency obligations	2,720,000	2,756,652	2,900,000	2,909,358
Global bond funds	635,705	595,211	914,099	877,590
Corporate debt securities	908,974	947,807	989,377	966,296
Alternative investments	1,000,620	1,066,626	941,309	977,255
Equity securities	9,741,873	13,564,958	9,542,996	13,362,042
Total investments	$ 15,192,720	$ 19,116,802	$ 15,492,489	$ 19,297,249
Cumulative unrealized gain	$ 3,924,082		$ 3,804,760	

Investment return for the years ended June 30, 2019 and 2018, was as follows:

	2019	2018
Interest and dividends	$ 480,977	$ 378,706
Investment management fees	(82,545)	(95,942)
Net realized gains on sale of investments	311,753	430,366
Net unrealized gains on investments	119,322	530,006
	829,507	1,243,136
Less investment income on operating investments	1,266	647
Investment return on endowment investments	$ 828,241	$ 1,242,489

The purpose of Junior Achievement of Chicago's endowment fund is to provide income and cash flows for carrying out the mission of Junior Achievement of Chicago. The primary objective of the investments is to preserve and enhance the real purchasing power of the fund's assets, after all withdrawals under Junior Achievement of Chicago's spending policy, on a continuous basis. At June 30, 2019, the asset allocation of the endowment fund is approximately 71 percent equity securities, 22 percent fixed income securities, 6 percent alternative investments and 1 percent money market funds. At June 30, 2018, the asset allocation of the endowment fund is approximately 69 percent equity securities, 25 percent fixed income securities, 5 percent alternative investments and 1 percent money market funds.

Note 5. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Topic are described below:

Note 5. Fair Value Disclosures (Continued)

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that Junior Achievement of Chicago has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, or quoted prices in active markets.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

For the years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. In determining the appropriate levels, Junior Achievement of Chicago performs a detailed analysis of the assets and liabilities that are subject to the Topic.

Junior Achievement of Chicago assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2019 and 2018, there were no such transfers.

Investments in money market funds, fixed income and equity securities: Valued at the last reported sales price on the day of valuation on a national securities exchange; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price.

Investments in alternative investments: The fair value of certain funds are based upon the net asset value (NAV) of units of the fund. The NAV, as provided by the investment manager, is used as a practical expedient to estimating fair value. The NAV is based upon the fair value of the underlying investments comprising the fund less its liabilities.

The following tables summarize Junior Achievement of Chicago's investments accounted for at fair value as of June 30, 2019 and 2018, using the fair value hierarchy:

	2019				
	Level 1	Level 2	Level 3	Measured at NAV[(a)]	Total
Description					
Money market funds	$ 185,548	$ -	$ -	$ -	$ 185,548
Fixed income:					
Government agency obligations	2,756,652	-	-	-	2,756,652
Global bond funds	595,211	-	-	-	595,211
Corporate debt securities	947,807	-	-	-	947,807
Alternative investments:					
Real estate income trust	-	-	-	1,066,626	1,066,626
Equity securities	13,564,958	-	-	-	13,564,958
	$ 18,050,176	$ -	$ -	$ 1,066,626	$ 19,116,802

Note 5. Fair Value Disclosures (Continued)

	2018				
Description	Level 1	Level 2	Level 3	Measured at NAV[(a)]	Total
Money market funds	$ 44,837	$ -	$ -	$ -	$ 44,837
Fixed income:					
Government agency obligations	2,909,358	-	-	-	2,909,358
Global bond funds	877,590	-	-	-	877,590
Corporate debt securities	989,114	-	-	-	989,114
Alternative investments:					
Real estate income trust	-	-	-	977,255	977,255
Equity securities	13,499,095	-	-	-	13,499,095
	$ 18,319,994	$ -	$ -	$ 977,255	$ 19,297,249

(a) In accordance with Subtopic ASC 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

The following table sets forth information related to investments measured at fair value using the NAV practical expedient at June 30, 2019:

	2019 Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate income trust	$ 1,066,626	$ -	Monthly	N/A

The real estate income trust includes investments in primarily stabilized income-oriented commercial real estate in the United States. To a lesser extent the real estate income trust invests in real estate-related securities to provide current income and a source of liquidity for share repurchase plans, cash management and other purposes.

Note 6. Operating Lease

Junior Achievement of Chicago occupies its office space under a lease agreement, amended in September 2017, with lease terms through January 2024. The lease provides for monthly base rentals ranging from $10,500 to $13,620, plus an allocated portion of property tax expense. Base rentals are recognized on a straight-line basis over the term of the lease; the excess of base rental expense recognized over base rentals paid is recorded as a deferred lease obligation which is included in accrued expenses on the statements of financial position.

Note 6. Operating Lease (Continued)

Future minimum lease payments under the noncancelable operating lease is as follows:

Years Ending June 30:	
2020	$ 148,000
2021	152,000
2022	156,000
2023	161,000
Thereafter	96,000
	$ 713,000

Rental expense (including the allocated portion of property tax expenses) was $186,887 and $185,892 for the years ended June 30, 2019 and 2018, respectively.

Note 7. Retirement Plans

Employees with one year of service who work over a thousand hours annually, in accordance with the terms of the plan, are eligible to participate in the Junior Achievement Retirement Plan (the Plan) administered by JA USA. The Plan is a defined benefit plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides retirement benefits based on age at retirement and years of service. Junior Achievement of Chicago contributed to JA USA an amount equal to 16.75 percent of eligible employees' annual salary for the years ended June 30, 2019 and 2018, respectively. Contributions are expensed as paid. Junior Achievement of Chicago is not directly responsible for the obligations of the Plan as administered by JA USA. Pension expense was approximately $367,000 and $399,000 for fiscal years ended 2019 and 2018, respectively. Effective June 30, 2019, the Plan was closed to new employees and JA USA froze all participants benefit accruals associated with the Plan. Subsequent to freezing of the Plan, Junior Achievement of Chicago will be required to contribute 13.25 percent for all active plan participants until the plan is terminated.

Junior Achievement of Chicago has a nonqualified 457(b) deferred compensation plan for its president. Contributions of the plan are invested in equity securities. Junior Achievement of Chicago made contributions of $19,000 and $18,500 for the fiscal years ended 2019 and 2018, respectively. At June 30, 2019 and 2018, $355,247 and $326,444, respectively, were accrued as a liability and set aside in a separate account for this benefit. The assets held in this account are the property of Junior Achievement of Chicago and are subject to the claims of the general creditors.

Junior Achievement of Chicago also maintains two other defined contribution employee benefit plans: a 401(a) plan, to which it may make contributions, and a 403(b) plan, to which it, as well as the employee, may make contributions. During the years ended June 30, 2019 and 2018, Junior Achievement of Chicago contributed $56,000 and $55,000 to the 401(a) plan and $31,000 and $36,500 to the 403(b) plan, respectively.

A Safe Harbor 401(k) plan was implemented on August 1, 2019. Employees are eligible to participate in the plan during the two entry dates of January 1st and July 1st, after completing 1 year of service and during this period completing at least 1,000 hours. The organization will make a non-discretionary non-matching contribution to the plan on behalf of all eligible employees equal to 3 percent of their eligible pay.

Note 8. Program Material and Related Expenses

Junior Achievement of Chicago incurred approximately $1,442,600 and $1,491,300 of participation fees and program material expenses from JA USA during the years ended June 30, 2019 and 2018, respectively.

Note 9. Endowment Funds

Junior Achievement of Chicago's endowment includes both donor-restricted and Board-designated funds. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Illinois follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA differs from laws previously in place in a few key areas. It eliminates the historic dollar value rule with respect to endowment fund spending, it updates the prudence standard for the management and investment of charitable funds, and it amends the provisions governing the release and modification of restrictions on charitable funds. Junior Achievement of Chicago's endowment funds are subject to UPMIFA.

Junior Achievement of Chicago's endowment net asset composition by type of fund is as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Board-designated (without donor restrictions)	$ 16,193,456	$ 16,480,157
Donor-restricted (with donor restrictions)	130,000	130,000
	$ 16,323,456	$ 16,610,157

Return Objectives and Risk Parameters

Junior Achievement of Chicago 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. Endowment assets include those assets of donor-restricted funds as well as Board-designated funds. Under the investment policy, as approved by the Board of Directors, 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.

Strategies Employed for Achieving Objectives

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

Note 9. Endowment Funds (Continued)

Spending Policy

The Board of Directors budgets annually a percentage of the balance of the endowment fund to be used for program operations. For the years ended June 30, 2019 and 2018, the Board appropriated $1,150,000 and $900,000, respectively, from the endowment for operations. For the year ended June 30, 2018, the Board appropriated an additional $250,000 transfer from the endowment to implement 2020 strategic plan initiatives.

The changes in endowment funds were as follows for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	$ 16,480,157	$ 130,000	$ 16,610,157
75th-anniversary campaign contributions	41,058	-	41,058
Investment return:			
Investment income, net of fees	394,003	3,163	397,166
Net realized and unrealized gains	427,642	3,433	431,075
Appropriation of endowment assets for expenditure	(1,143,404)	(6,596)	(1,150,000)
Other changes:			
Expenses paid from Board-designated endowment funds	(6,000)	-	(6,000)
Balance, end of year	$ 16,193,456	$ 130,000	$ 16,323,456

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	$ 15,943,635	$ 130,000	$ 16,073,635
75th-anniversary campaign contributions	450,033	-	450,033
Investment return:			
Investment income, net of fees	279,909	2,208	282,117
Net realized and unrealized gains	952,856	7,516	960,372
Appropriation of endowment assets for expenditure	(1,140,276)	(9,724)	(1,150,000)
Other changes:			
Expenses paid from Board-designated endowment funds	(6,000)	-	(6,000)
Balance, end of year	$ 16,480,157	$ 130,000	$ 16,610,157

The Board-designated endowment is included in net assets without restrictions.