Junior Achievement of Chicago

Financial Report
June 30, 2018

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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, 2018 and 2017, and the related statements of activities 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, 2018 and 2017, 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.

RSM US LLP

Chicago, Illinois
September 7, 2018

Junior Achievement of Chicago

Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 583,617**	$ 934,327
Pledges receivable	**293,994**	396,274
Prepaid expenses and other	**334,641**	297,303
Total current assets	**1,212,252**	1,627,904
Investments	**19,297,249**	18,311,037
Assets held under 457(b) plan	**326,444**	298,992
Equipment:		
Office equipment and furniture	**596,543**	845,764
Automobiles	**67,569**	67,180
	664,112	912,944
Less accumulated depreciation	**429,402**	644,755
	234,710	268,189
Total assets	**$ 21,070,655**	$ 20,506,122
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 18,035**	$ 230,251
Accrued expenses	**553,184**	446,401
Deferred revenue	**148,510**	246,641
Awards payable	**18,221**	41,221
Total current liabilities	**737,950**	964,514
457(b) plan deferred compensation liability	**326,444**	298,992
Net assets:		
Unrestricted:		
Operations	**3,161,394**	2,900,792
Investment in equipment	**234,710**	268,189
Board-designated endowments	**16,480,157**	15,943,635
	19,876,261	19,112,616
Permanently restricted	**130,000**	130,000
Total net assets	**20,006,261**	19,242,616
Total liabilities and net assets	**$ 21,070,655**	$ 20,506,122

See notes to financial statements.

Junior Achievement of Chicago

Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Unrestricted activities:		
Operating:		
Support and revenue:		
Contributions:		
Corporate and individuals	**$ 4,105,252**	$ 4,006,256
Grants and program sponsorships	**430,770**	403,803
Special events	**1,862,823**	1,983,837
Contributed services	**30,000**	30,000
	6,428,845	6,423,896
Less:		
National headquarters' participation fee	**202,055**	151,603
Expenses related to special events	**282,477**	301,757
Net contributions	**5,944,313**	5,970,536
Other income	**22,270**	9,618
Investment income	**647**	475
Appropriation of Board-designated endowments	**1,150,000**	850,000
Total operating support and revenue	**7,117,230**	6,830,629
Expenses:		
Program services	**5,410,708**	5,374,651
Management and general	**843,207**	795,362
Development and fundraising	**619,462**	568,637
Program volunteer recruitment	**16,730**	23,406
Total operating expenses	**6,890,107**	6,762,056
Increase in unrestricted net assets from operating activities	**227,123**	68,573
Nonoperating:		
Support and revenue:		
75th-anniversary campaign - Board-designated endowments	**450,033**	497,055
Investment interest and dividends	**378,059**	350,306
Gain on investments	**960,372**	1,721,106
Total nonoperating support and revenue	**1,788,464**	2,568,467
Expenses:		
Scholarships	**6,000**	6,000
Investment management fees	**95,942**	96,157
Appropriation of Board-designated endowments	**1,150,000**	850,000
Total nonoperating expenses	**1,251,942**	952,157
Increase in unrestricted net assets from nonoperating activities	**536,522**	1,616,310
Increase in unrestricted net assets	**763,645**	1,684,883
Net assets:		
Beginning of year	**19,242,616**	17,557,733
End of year	**$ 20,006,261**	$ 19,242,616

See notes to financial statements.

Junior Achievement of Chicago

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating and nonoperating activities:		
Increase in net assets:	$ 763,645	$ 1,684,883
Adjustments to reconcile increase in net assets to net cash used in operating and nonoperating activities:		
Depreciation	108,740	122,075
Gain on investments	(960,372)	(1,721,106)
Changes in operating assets and liabilities:		
Pledges receivable	102,280	(287,878)
Prepaid expenses and other	(37,338)	(6,091)
Accounts payable	(212,216)	213,531
Accrued expenses	106,783	(26,185)
Deferred revenue	(98,131)	(8,522)
Awards payable	(23,000)	12,000
Net cash used in operating and nonoperating activities	(249,609)	(17,293)
Cash flows from investing activities:		
Purchase of investments	(9,332,546)	(4,236,984)
Proceeds from sale of investments	9,306,706	4,494,433
Purchase of equipment	(75,261)	(18,802)
Net cash (used in) provided by investing activities	(101,101)	238,647
Net (decrease) increase in cash and cash equivalents	(350,710)	221,354
Cash and cash equivalents:		
Beginning of year	934,327	712,973
End of year	$ 583,617	$ 934,327

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.

Junior Achievement celebrated its 75th anniversary during calendar year 2015. In fiscal year 2014, Junior Achievement of Chicago began a campaign for its 75th anniversary in which the gifts were earmarked as an increase in the Board-designated endowment.

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 three net asset categories – unrestricted, temporarily restricted and permanently restricted, as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions include 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.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of Junior Achievement of Chicago or the passage of time. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired. Temporarily restricted net assets generally consist of gifts and other unexpended resources available for scholarships. Junior Achievement of Chicago had no temporarily restricted net assets at June 30, 2018 or 2017.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions to be maintained permanently 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 unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expiration of temporary 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.

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

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.

Contributions received with donor-imposed restrictions which are met within the same year are recorded as unrestricted revenue.

Operations: Operating results in the statements of activities reflect all transactions increasing or decreasing unrestricted net assets except those items associated primarily with long-term investments.

Operating expenses identified with a functional area are charged to that area and, where those expenses affect more than one area, such costs are allocated based upon personnel usage and activity, nature of expenses or other allocation methods.

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 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, 2018 and 2017, 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 statements 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 75th anniversary were earmarked as an increase in the Board-designated endowment and are presented in the nonoperating section of the statements 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.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (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, and early adoption is allowed.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for Junior Achievement of Chicago in the fiscal year ending June 30, 2019.

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, and early adoption is allowed.

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 7, 2018, 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.

Note 2. Tax Status (Continued)

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. Investments

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Investments - endowment:				
Morgan Stanley Money Market/ other cash holdings	$ 44,837	$ 44,837	$ 1,317,726	$ 1,319,231
Fixed income:				
Government agency obligations	2,900,000	2,909,358	1,424,094	1,423,553
Global bond funds	914,099	877,590	878,123	894,412
Corporate debt securities	989,377	989,114	1,459,984	1,476,627
Alternative investments	941,309	977,255	-	-
Equity securities	9,542,996	13,499,095	9,956,356	13,197,214
Total investments	$ 15,332,618	$ 19,297,249	$ 15,036,283	$ 18,311,037
Cumulative unrealized gain	$ 3,964,631		$ 3,274,754	

Investment return for the years ended June 30, 2018 and 2017, was as follows:

	2018	2017
Interest and dividends	$ 378,706	$ 350,781
Net realized gains on sale of investments	270,495	276,322
Net unrealized gains on investments	689,877	1,444,784
	1,339,078	2,071,887
Less investment income on operating investments	647	475
Investment return on endowment investments	$ 1,338,431	$ 2,071,412

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, 2018, the asset allocation of the endowment fund is approximately 70 percent equity securities, 25 percent fixed income securities, and 5 percent alternative investments. At June 30, 2017, the asset allocation of the endowment fund is approximately 72 percent equity securities, 21 percent fixed income securities and 7 percent short-term investments.

Note 4. 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:

> 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, 2018 and 2017, 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, 2018 and 2017, 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.

Note 4. Fair Value Disclosures (Continued)

The following tables summarize Junior Achievement of Chicago's investments accounted for at fair value as of June 30, 2018 and 2017, using the fair value hierarchy:

	2018				
	Level 1	Level 2	Level 3	Measured at NAV[a]	Total
Description					
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

	2017				
	Level 1	Level 2	Level 3	Measured at NAV[a]	Total
Description					
Money market funds	$ 1,319,231	$ -	$ -	$ -	$ 1,319,231
Fixed income:					
Government agency obligations	1,423,553	-	-	-	1,423,553
Global bond funds	894,412	-	-	-	894,412
Corporate debt securities	1,476,627	-	-	-	1,476,627
Equity securities	13,197,214	-	-	-	13,197,214
	$ 18,311,037	$ -	$ -	$ -	$ 18,311,037

(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, 2018:

	2018 Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate income trust	$ 977,255	$ -	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 5. 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.

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

Years Ending June 30:		
2019	$	143,000
2020		148,000
2021		152,000
2022		156,000
2023		161,000
Thereafter		96,000
	$	856,000

Rental expense (including the allocated portion of property tax expenses) was $185,892 and $179,640 for the years ended June 30, 2018 and 2017, respectively.

Note 6. 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, 2018 and 2017. 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 $399,000 and $423,000 for fiscal years ended 2018 and 2017, respectively.

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 $18,500 and $18,000 for the fiscal years ended 2018 and 2017, respectively. At June 30, 2018 and 2017, $326,444 and $298,992, 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, 2018 and 2017, Junior Achievement of Chicago contributed $55,000 and $54,000 to the 401(a) plan and $36,500 and $36,000 to the 403(b) plan respectively.

Note 7. Participation Fees and Program Materials

Junior Achievement of Chicago incurred JA USA participation fees of $202,055 and $151,603 during the years ended June 30, 2018 and 2017, respectively.

Junior Achievement of Chicago purchased approximately $1,289,000 and $1,228,000 of program materials from JA USA during the years ended June 30, 2018 and 2017, respectively.

Note 8. 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, 2018 and 2017:

	2018	2017
Board-designated (Unrestricted)	$ 16,480,157	$ 15,943,635
Donor-restricted (Permanently Restricted)	130,000	130,000
	$ 16,610,157	$ 16,073,635

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.

Note 8. Endowment Funds (Continued)

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.

Spending Policy

The Board of Directors budgets annually a percentage of the corpus of the endowment fund to be used for program operations. For the years ended June 30, 2018 and 2017, the Board appropriated $900,000 and $850,000, 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, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ 14,327,325	$ -	$ 130,000	$ 14,457,325
75th-anniversary campaign contributions	497,055	-	-	497,055
Investment return:				
Investment income, net of fees	252,093	2,056	-	254,149
Net realized and unrealized gains	1,707,186	13,920	-	1,721,106
Appropriation of endowment assets for expenditure	(834,024)	(15,976)	-	(850,000)
Other changes:				
Expenses paid from Board-designated endowment funds	(6,000)	-	-	(6,000)
Balance, end of year	$ 15,943,635	$ -	$ 130,000	$ 16,073,635

The Board-designated endowment is included in unrestricted net assets.

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Junior Achievement of Chicago

We have audited the financial statements of Junior Achievement of Chicago as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon, dated September 7, 2018, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
September 7, 2018

Junior Achievement of Chicago

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Management and General	Development and Fundraising	Program Volunteer Recruitment	Total
Salary, payroll taxes and benefits	$ 3,470,660	$ 645,528	$ 481,261	$ 15,409	$ 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	14,668	9,030	42,072	1,321	67,091
Program printing and materials	1,316,385	-	-	-	1,316,385
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	$ 5,410,708	$ 843,207	$ 619,462	$ 16,730	$ 6,890,107

Junior Achievement of Chicago

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Management and General	Development and Fundraising	Program Volunteer Recruitment	Total
Salary, payroll taxes and benefits	$ 3,506,700	$ 581,647	$ 442,056	$ 19,838	$ 4,550,241
Rent, heat and electricity	134,730	35,382	17,964	-	188,076
Maintenance and cleaning	26,478	5,477	3,443	-	35,398
Promotional activities	20,194	6,593	35,588	3,568	65,943
Program printing and materials	1,261,034	-	-	-	1,261,034
Stationery, supplies and postage	57,744	9,319	1,560	-	68,623
Telephone	46,123	10,911	5,979	-	63,013
Travel and meetings	157,124	11,271	4,517	-	172,912
Insurance	94,242	18,848	12,566	-	125,656
Staff conferences	6,414	7,313	388	-	14,115
Professional services	263	34,548	35	-	34,846
Computer programming	12,847	2,691	1,712	-	17,250
Depreciation	49,909	65,511	6,655	-	122,075
Miscellaneous	849	5,851	36,174	-	42,874
Total expenses	$ 5,374,651	$ 795,362	$ 568,637	$ 23,406	$ 6,762,056