

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

June 30, 2016 and 2015

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Junior Achievement of North Central Ohio, Inc.  
Akron, Ohio

We have audited the accompanying financial statements of Junior Achievement of North Central Ohio, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 auditors consider 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.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
FOOTNOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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 North Central Ohio, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

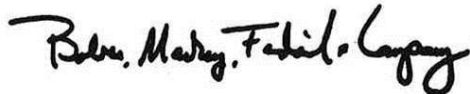
As discussed in Note 13 to the financial statements, a certain error resulting in a misclassification amongst net asset categories (unrestricted, temporarily restricted, and permanently restricted) previously reported as of June 30, 2015 was discovered during the current year. Accordingly, amounts reported within those categories have been restated in the 2015 financial statements now presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and in our report dated September 25, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on pages 20 and 21 is presented for the 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 audit 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.



BOBER, MARKEY, FEDOROVICH & COMPANY  
Akron, Ohio

December 2, 2016

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2016 and 2015

|  | 2016              | As Restated<br>2015 |
|--|-------------------|---------------------|
| <b>ASSETS</b>  |                   |                     |
| <b>CURRENT ASSETS</b>  |                   |                     |
| Cash and cash equivalents  | \$ 64,888         | \$ 62,380           |
| Pledges receivable - unrestricted, net of allowance of \$6,000 and \$0, respectively | 68,555            | 45,323              |
| Pledges receivable - temporarily restricted  | 7,300             | 48,270              |
| Prepaid expenses   | 1,831             | 1,500               |
| <b>TOTAL CURRENT ASSETS</b>  | <b>142,574</b>    | <b>157,473</b>      |
| <b>OTHER ASSETS</b>  |                   |                     |
| Investments  | 138,098           | 132,560             |
| Beneficial interest in fund held at Akron Community Foundation                       | 508,523           | 671,153             |
| Beneficial interest in perpetual fund held at Akron Community Foundation             | 147,593           | 162,335             |
| Property and equipment, net  | 4,002             | 1,991               |
| <b>TOTAL OTHER ASSETS</b>  | <b>798,216</b>    | <b>968,039</b>      |
| <b>TOTAL ASSETS</b>  | <b>\$ 940,790</b> | <b>\$ 1,125,512</b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                   |                     |
| <b>CURRENT LIABILITIES</b>   |                   |                     |
| Accounts payable   | \$ 8,388          | \$ 3,027            |
| Scholarship payable  | -                 | 2,000               |
| Accrued liabilities  | 13,496            | 22,023              |
| Deferred revenue   | -                 | 36,948              |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>21,884</b>     | <b>63,998</b>       |
| <b>NET ASSETS</b>  |                   |                     |
| Unrestricted   | 129,390           | 36,656              |
| Temporarily restricted   | 549,609           | 770,209             |
| Permanently restricted   | 239,907           | 254,649             |
| <b>TOTAL NET ASSETS</b>  | <b>918,906</b>    | <b>1,061,514</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b>\$ 940,790</b> | <b>\$ 1,125,512</b> |

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

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

|  | Unrestricted   | Temporarily<br>Restricted | Permanently<br>Restricted | 2016<br>Total  | 2015<br>Total  |
|--|----------------|---------------------------|---------------------------|----------------|----------------|
| <b>PUBLIC SUPPORT AND REVENUE</b>                        |                |                           |                           |                |                |
| Contributions  |                |                           |                           |                |                |
| Corporate  | \$ 141,711     | \$ -                      | \$ -                      | \$ 141,711     | \$ 203,974     |
| Individual   | 54,731         | -                         | -                         | 54,731         | 45,490         |
| Foundations  | 206,250        | 31,550                    | -                         | 237,800        | 224,636        |
| Total contributions                                      | 402,692        | 31,550                    | -                         | 434,242        | 474,100        |
| Special events, gross                                    | 164,069        | -                         | -                         | 164,069        | 131,372        |
| Less: Special event expenses                             | 35,896         | -                         | -                         | 35,896         | 37,743         |
| Special events, net                                      | 128,173        | -                         | -                         | 128,173        | 93,629         |
| Unrealized gain (loss) on investments                    | 1,759          | (60,087)                  | (14,928)                  | (73,256)       | (6,794)        |
| Realized gain on sale of investments                     | 2,968          | 20,381                    | 5,065                     | 28,414         | -              |
| Investment income, net                                   | 5,280          | 10,026                    | 792                       | 16,098         | 39,992         |
| Loss on disposal of assets                               | -              | -                         | -                         | -              | (1,820)        |
| In-kind contributions                                    | 56,112         | -                         | -                         | 56,112         | 72,827         |
| Program sales  | 34,655         | -                         | -                         | 34,655         | 18,954         |
| Net assets released from restriction                     | 228,141        | (222,470)                 | (5,671)                   | -              | -              |
| <b>TOTAL PUBLIC SUPPORT AND REVENUE</b>                  | <b>859,780</b> | <b>(220,600)</b>          | <b>(14,742)</b>           | <b>624,438</b> | <b>690,888</b> |
| <b>EXPENSES</b>  |                |                           |                           |                |                |
| Functional expenses:                                     |                |                           |                           |                |                |
| Program expenses   | 557,187        | -                         | -                         | 557,187        | 518,046        |
| Fundraising expenses                                     | 49,091         | -                         | -                         | 49,091         | 61,884         |
| Management and general expenses                          | 70,183         | -                         | -                         | 70,183         | 50,667         |
| Total functional expenses                                | 676,461        | -                         | -                         | 676,461        | 630,597        |
| National license fee                                     | 34,473         | -                         | -                         | 34,473         | 34,241         |
| In-kind expenses   | 56,112         | -                         | -                         | 56,112         | 72,827         |
| <b>TOTAL EXPENSES</b>                                    | <b>767,046</b> | <b>-</b>                  | <b>-</b>                  | <b>767,046</b> | <b>737,665</b> |
| CHANGE IN NET ASSETS                                     | 92,734         | (220,600)                 | (14,742)                  | (142,608)      | (46,777)       |
| NET ASSETS, BEGINNING OF YEAR,<br>AS ORIGINALLY REPORTED | 480,007        | 99,056                    | 482,451                   | 1,061,514      | 1,108,291      |
| CORRECTION OF ERROR (SEE NOTE 13)                        | (443,351)      | 671,153                   | (227,802)                 | -              | -              |
| NET ASSETS, BEGINNING OF YEAR ,<br>AS RESTATED           | 36,656         | 770,209                   | 254,649                   | 1,061,514      | 1,108,291      |
| NET ASSETS, END OF YEAR                                  | \$ 129,390     | \$ 549,609                | \$ 239,907                | \$ 918,906     | \$ 1,061,514   |

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

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

|                                    | 2016               |                  |                              | 2015                            |                                 |
|------------------------------------|--------------------|------------------|------------------------------|---------------------------------|---------------------------------|
|                                    | Program<br>Support | Fundraising      | Management<br>and<br>General | Total<br>Functional<br>Expenses | Total<br>Functional<br>Expenses |
| Salaries                           | \$ 301,798         | \$ 34,941        | \$ 47,228                    | \$ 383,967                      | \$ 344,244                      |
| Payroll taxes                      | 25,611             | 2,965            | 4,008                        | 32,584                          | 32,308                          |
| Employee insurance                 | 21,295             | 2,465            | 3,332                        | 27,092                          | 29,379                          |
| Pension                            | 29,007             | 3,358            | 4,539                        | 36,904                          | 49,327                          |
|                                    | <u>377,711</u>     | <u>43,729</u>    | <u>59,107</u>                | <u>480,547</u>                  | <u>455,258</u>                  |
| General insurance                  | 6,681              | -                | 742                          | 7,423                           | 6,458                           |
| Outside services                   | 7,359              | 409              | 409                          | 8,177                           | 11,879                          |
| Equipment lease                    | 3,353              | 186              | 186                          | 3,725                           | 4,343                           |
| Office maintenance                 | 338                | 19               | 19                           | 376                             | 437                             |
| Office and computer supplies       | 13,314             | 740              | 740                          | 14,794                          | 16,399                          |
| Dues and subscriptions             | 1,015              | 56               | 56                           | 1,127                           | 1,888                           |
| Postage                            | 2,256              | 125              | 125                          | 2,506                           | 3,282                           |
| Telephone                          | 5,675              | 315              | 315                          | 6,305                           | 2,561                           |
| Travel                             | 15,841             | 1,658            | 921                          | 18,420                          | 17,918                          |
| Staff training and seminars        | 3,509              | 195              | 195                          | 3,899                           | 4,940                           |
| Volunteer training and recognition | 426                | -                | -                            | 426                             | -                               |
| Public relations                   | 612                | -                | -                            | 612                             | 1,016                           |
| Professional fees                  | 10,809             | 601              | 601                          | 12,011                          | 9,950                           |
| Program materials                  | 87,438             | 751              | -                            | 88,189                          | 85,272                          |
| Investment fees                    | -                  | -                | 6,268                        | 6,268                           | 1,350                           |
| Scholarships                       | -                  | -                | -                            | -                               | 2,000                           |
| Bad debt expense                   | 17,823             | -                | -                            | 17,823                          | 3,176                           |
| Miscellaneous                      | 1,735              | 231              | 347                          | 2,313                           | 439                             |
|                                    | <u>178,184</u>     | <u>5,286</u>     | <u>10,924</u>                | <u>194,394</u>                  | <u>173,308</u>                  |
| Depreciation                       | 1,292              | 76               | 152                          | 1,520                           | 2,031                           |
| Total functional expenses          | <u>\$ 557,187</u>  | <u>\$ 49,091</u> | <u>\$ 70,183</u>             | <u>\$ 676,461</u>               | <u>\$ 630,597</u>               |

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

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2016 and 2015

|  | 2016         | 2015        |
|--|--------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |              |             |
| Change in net assets   | \$ (142,608) | \$ (46,777) |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |              |             |
| Depreciation   | 1,520        | 2,031       |
| Allowance for uncollectable pledges  | 6,000        | -           |
| Loss on disposal of fixed assets   | -            | 1,820       |
| Unrealized (gain) loss on investments and beneficial interests                             | 73,256       | 1,512       |
| Realized gain on investments and beneficial interests                                      | (28,414)     | (13,181)    |
| Investment income, net   | (16,098)     | 5,282       |
| Changes in operating assets and liabilities:   |              |             |
| Pledges receivable   | 11,738       | 6,366       |
| Prepaid expenses   | (331)        | 2,100       |
| Accounts payable   | 5,361        | 516         |
| Scholarship payable  | (2,000)      | (1,000)     |
| Accrued liabilities  | (8,527)      | (31,481)    |
| Deferred revenue   | (36,948)     | 10,328      |
|  | (137,051)    | (62,484)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |              |             |
| Purchases of property and equipment  | (3,531)      | -           |
| Proceeds from sales of investments / distribution from<br>beneficial interests             | 144,640      | 799,177     |
| Purchases of investments / contributions to beneficial interests                           | (1,550)      | (698,375)   |
|  | 139,559      | 100,802     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | 2,508        | 38,318      |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                      | 62,380       | 24,062      |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | \$ 64,888    | \$ 62,380   |

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



JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - ORGANIZATION

Junior Achievement of North Central Ohio, Inc. (the "Organization") is an affiliate of Junior Achievement USA (the "National Organization"). The Organization inspires and prepares young people to succeed in the global economy. Volunteer delivered, experiential programs give students knowledge and skills in financial literacy, work readiness and entrepreneurship. The Organization helps to enhance the relevance of students' classroom learning and increase their understanding of the value of staying in school. The Organization maintains its operating center in Akron, which serves Medina, Portage, Summit, Holmes, Coshocton, Ashland, Richland, Knox, Crawford, Morrow, Wayne, and Marion counties.

The Organization currently supplements current school curriculum with the following sequential economic programs taught by local area business and community volunteers (consultants):

The elementary school program is designed to enhance basic understanding of a free market economy. By learning the principles of economics at an early age, students are better prepared to make decisions about their future because they understand the economic impact of those decisions.

The middle school program develops the desire in young people to value education and stay in school. Students learn critical skills from business consultants who build a bridge between the classroom and the workplace.

The high school program promotes understanding of economic principles for students nearly ready to enter college and the workforce. Many of the activities allow examination of the rewards and responsibilities of business through hands-on experiences in a virtually risk-free setting.

Students participating in the above programs totaled 24,600 and 23,141 for the years ended June 30, 2016 and 2015, respectively.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standards *Not-for-Profit Entities—Revenue Recognition* and *Not-for-Profit Entities – Presentation of Financial Statements*. The revenue recognition standard establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes according to externally (donor) imposed restrictions into three net asset categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statement presentation standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the net asset categories follows:

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

- Unrestricted Net Assets: Unrestricted net assets represent the operations of the Organization that include revenues and expenditures which are free of donor-imposed restrictions and temporarily restricted contributions of which the restrictions are met during the current fiscal year.
- Temporarily Restricted Net Assets: Temporarily restricted net assets represent amounts received that were restricted by the donor, grantor or other outside party for a specific use. At June 30, 2016 and 2015, the Organization had net assets restricted for use in the upcoming year and for the beneficial interest in fund held at Akron Community Foundation.
- Permanently Restricted Net Assets: Permanently restricted net assets represent amounts received for which the principal must be preserved:
  - Wooster Brush/Dave Rowekamp Scholarship Fund – income earned is used to support annual student scholarships.
  - Richard W. And Ruth C. Niemiec Endowment Fund – income earned is used to support annual student scholarships.
  - Junior Achievement of North Central Ohio Fund - the Organization is the beneficiary of a fund created through contributions by the GAR Foundation and administered by the Akron Community Foundation. This is a perpetual trust, whereby, the Organization receives an annual grant of income from the trust. The beneficial interest in this fund is included in the statements of financial position of the Organization at the fair market value of the fund's assets, which totaled \$147,593 and \$162,335 at June 30, 2016 and 2015, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and cash on hand. The Organization maintains its cash with banks, which at times, may exceed federally insured limits. The Organization has not experienced any significant losses in such accounts. Management of the Organization believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Pledges are considered impaired if payments are not received in accordance with the pledge terms. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The pledges receivable have been adjusted for all known uncollectible pledges. The Organization has an allowance for uncollectible pledges of \$6,000 and \$0 as of June 30, 2016 and 2015, respectively. At June 30, 2016, net pledges receivable to be collected by June 30, 2017 totaled \$75,855. At June 30, 2015, pledges receivable to be collected by June 30, 2016 totaled \$93,593.

Property and Equipment

Property and equipment are recorded at cost and those donated are recorded at fair market value at date of gift. Upon disposal, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations. Expenditures for routine maintenance and repairs

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

are charged to expense as incurred. Depreciation is computed on the straight-line basis using the following lives for each asset classification:

|                        |              |
|------------------------|--------------|
| Office equipment       | 3 - 5 years  |
| Furniture and fixtures | 5 - 10 years |

Investments

Investments in equity securities, with readily determinable fair values, and all investments in debt securities are reported at fair value in the statements of financial position. In addition, gains and losses (realized or unrealized) are recognized as changes in net assets in the periods in which they occur and investment income is recognized as revenue in the period earned.

Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Support and Revenue Recognition

The Organization's principal support is from charitable contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Organization is required to identify potential uncertain tax positions taken, assess and quantify those positions and record reserves. As of and for the years ended June 30, 2016 and 2015, the Organization has identified no uncertain tax positions. The Organization files income tax returns in United States federal and state jurisdictions.

Estimates

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial

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statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through December 2, 2016, the date that the Organization's annual financial statements were available to be issued.

NOTE 3 - INVESTMENTS AND ENDOWMENT FUNDS

Investments

Investments are classified in the other assets section of the statements of financial position and include the following at June 30:

|                       | 2016          |                 |                    |
|-----------------------|---------------|-----------------|--------------------|
|                       | Total<br>Cost | Market<br>Value | Unrealized<br>Gain |
| Mutual funds          | \$ 112,012    | 121,614         | \$ 9,602           |
| Money market accounts | 16,484        | 16,484          | -                  |
|                       | \$ 128,496    | \$ 138,098      | \$ 9,602           |
|                       | 2015          |                 |                    |
|                       | Total<br>Cost | Market<br>Value | Unrealized<br>Gain |
| Mutual funds          | \$ 114,520    | \$ 122,401      | \$ 7,881           |
| Money market accounts | 10,159        | 10,159          | -                  |
|                       | \$ 124,679    | \$ 132,560      | \$ 7,881           |

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statements of financial position and the statement of activities.

Endowment Funds

The Organization holds both donor designated and non-donor designated endowment funds administered by Akron Community Foundation. The Organization classifies temporarily and permanently restricted net assets in accordance with the respective fund agreements: (a) the original value of the gifts donated to the endowment, and (b) accumulations to the endowment made in accordance with the directions of the applicable fund agreement.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

The Organization has adopted investment and spending policies for endowment funds that provides for the preservation of capital while providing for the long-term growth of principle without undue exposure to risk. Mutual funds and money markets are measured at fair value using quoted market prices.

Under their policies, the Organization utilizes a strategy of cash equivalents, which is conducive to participation in a rising market while allowing for adequate protection in a failing market. The spending policy of endowment funds is explained in Note 4.

The following is a summary of endowment funds held at June 30:

|   | 2016       | As Restated<br>2015 |
|---|------------|---------------------|
| Temporarily restricted endowment funds                    | \$ 508,523 | \$ 671,153          |
| Donor restricted endowment funds (permanently restricted) | 147,593    | 162,335             |
|   | \$ 656,116 | \$ 833,488          |

The following is a reconciliation of endowment funds for the years ended June 30:

|   | 2016                                  |                           | As Restated<br>2015       |                           |
|---|---------------------------------------|---------------------------|---------------------------|---------------------------|
|   | Temporarily<br>Restricted             | Permanently<br>Restricted | Temporarily<br>Restricted | Permanently<br>Restricted |
|   | Endowment funds,<br>beginning balance | \$ 671,153                | \$ 162,335                | \$ -                      |
| Net unrealized loss                         | (60,087)                              | (14,928)                  | (6,474)                   | (2,228)                   |
| Net realized gain                           | 20,381                                | 5,065                     | 2,685                     | 2,665                     |
| Interest and dividends, net                 | 5,526                                 | 792                       | 1,567                     | 1,540                     |
| Expenditures / released<br>from restriction | (130,000)                             | (5,671)                   | (25,000)                  | (7,259)                   |
| Contributions                               | 1,550                                 | -                         | 698,375                   | -                         |
| Endowment funds,<br>ending balance          | \$ 508,523                            | \$ 147,593                | \$ 671,153                | \$ 162,335                |

The impact of the correction, as noted in Note 13 of the financial statements, has no impact on the 2015 totals, but did require reclassification amongst the unrestricted, temporarily restricted, and permanently restricted funds.

**NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY AKRON COMMUNITY FOUNDATION**

In 2015, the Organization transferred assets to the Akron Community Foundation to establish a fund ("Fund") for the benefit of the Organization. The Organization records the beneficial interest in the assets held by the Akron Community Foundation at fair value. Fair values for the beneficial interest in funds are measured using the relative fair market value of the Organization's proportional share of funds in the pool as reported by the

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
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trustee as of June 30, 2016 and 2015. The assets of the fund are invested pursuant to the Akron Community Foundation governing instrument and investment policies.

Investment Policies (Akron Community Foundation)

*Objectives*

The primary objective for the investments of the Akron Community Foundation is the preservation of capital while providing for the long term growth of principle without undue exposure to risk. The objectives shall be accomplished by utilizing a strategy of equities, fixed income, and cash equivalents and alternative investments; in a mix which is conducive to participation in a rising market while allowing for adequate protection in a falling market. The investment managers' greatest concern should be total return with consistency of investment performance. Due to the inevitability of short-term market fluctuations, which may cause variations the investment performance, it is intended that the following objectives will be achieved by the investment managers over a 5-year moving period. The investment objectives of the plan shall be as follows:

The total return on the assets, net of investment manager fees, shall strive to exceed the Consumer Price Index plus 5% over a five year moving period. In addition, the total return on the assets, net of fees, shall strive to achieve an 8% nominal rate of return annually.

The total Fund shall be diversified both by asset class (e.g., equities, bonds, cash equivalents and alternative investments, and within equities by economic sector, industry, quality, size, investment style, etc.). However, this should not imply that assets must be diversified to the extent required to become an index of either the economy or any stock/bond exchange. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total Fund.

The purpose of the fixed income fund (bonds and cash equivalents) is to provide a deflation hedge, to reduce the overall volatility of the Fund and to produce current income in support of the needs of the Organization.

The fixed income fund and cash should normally represent approximately 16% of total Fund assets at market value, although the actual percentage of fixed income and fixed reserves will fluctuate with market conditions. The Finance Committee of Akron Community Foundation may change any of the ratios at their discretion, but it is anticipated that such changes will be infrequent.

The purpose of the equity portion is to provide a total return that will simultaneously provide for growth in principle and current income sufficient to support Organization payment requirements, while at the same time preserve the purchasing power of the Fund's assets. It is recognized that the equity fund entails the assumption of greater market variability and risk.

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 NOTES TO FINANCIAL STATEMENTS  
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The equity fund should normally represent 57% of total Fund assets at market value, although the actual percentage of equities and equity reserves will vary with market conditions. The Finance Committee may change any of the ratios at their discretion, but it is anticipated that such changes will be infrequent.

Alternative investments should normally represent 20% of the total Fund assets at market value. The actual percentage of alternative investments will vary with market conditions.

Additions to principle shall be allocated by the Finance Committee. As a general rule, unless funds are allocated to a balanced manager, new cash will be used to rebalance the total Fund in the direction of the asset allocation detailed in the policy.

Each manager will also be evaluated versus a universe of managers with similar asset mixes and will be expected to consistently rank favorably over a five year moving period.

The risk adjusted performance (alpha) for each manager will be expected to be greater than zero over each three and five year moving period.

Asset Allocation

The Akron Community Foundation's Finance Committee will review the asset allocation quarterly and will re-allocate to within the guidelines below when significant differences occur:

|                     | Asset Allocation |           |         |
|---------------------|------------------|-----------|---------|
|                     | Minimum          | Preferred | Maximum |
| Equities            | 52%              | 57%       | 62%     |
| Fixed income & cash | 13%              | 16%       | 23%     |
| Alternative         | 10%              | 20%       | 25%     |

Changes in the asset allocation parameters are to be approved by the Finance Committee. The Finance Committee is given full discretion relating to asset allocation within the above specifications.

Risk Guidelines

It is recognized by the Finance Committee that a certain amount of volatility will be incurred in order to meet the secondary objective of long-term growth of capital. However, the annualized standard deviation of the total portfolio shall not exceed the comparable balanced index by more than 6.0%.

Because the growth of the portfolio is largely dependent of the equity portion, a level of volatility (beta) for the equity portion of 1.20 to that of the Standard & Poor's 500 Index of 1.00 is tolerable, if necessary. However, the level of volatility (beta) of the total portfolio shall not exceed .75 to that of the Standard & Poor's 500 Index of 1.00.

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The intent of the fixed income and cash portions is to reduce the overall volatility of the portfolio. Therefore, the standard deviation of the fixed portion shall not be significantly higher than that of the Barclays Aggregate Bond Index.

Fund Distributions

Net income of the Fund shall be determined by application of the Akron Community Foundation's spending policy, which currently makes available on an annual basis up to 5% of the Fund's 12-quarter average trailing market value as a component of the Foundation's main asset pool. Distributions shall be made annually or more or less frequently as the parties may from time to time agree. Any net income not distributed shall accumulate in the Fund as undistributed income, shall be, reinvested by the Akron Community Foundation for the Fund, and together with any interest thereon, shall be available to the Organization as distributable income.

Distributions in excess of the net income of the Fund may be made if requested by the Organization, upon request by the Organization's Board of Trustees and with the approval of the Board of Directors of the Akron Community Foundation, however such approval shall not be unreasonably withheld.

In the event of any unforeseen contingency by reason of which expenditure of a portion or all of the principle of the Fund is necessary to accomplish or promote the exempt purpose of the Organization, such invasion of principal shall be permitted, upon the request by the Board of Trustees of the Organization and with the approval of the Board of Directors of the Akron Community Foundation, however such approval shall not be unreasonably withheld.

Fees

The Akron Community Foundation shall charge the Fund an annual administration fee of 1.25% of the average market value of the Fund. The fee may be changed in the future if the Akron Community Foundation levies the changed fee on all funds administered by it; provided, however, that said fee increases shall not cause the administration fees charged to the Fund by the Akron Community Foundation to exceed the amount of fees which would be customarily charged by another community foundation.

**NOTE 5 - FAIR VALUE MEASUREMENTS**

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Organization uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and



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NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

- *Mutual funds*: Valued based on the closing price reported on the active market on which the individual securities are traded.
- *Money market accounts*: Valued using models or other valuation methodologies based on assumptions that are observed in the active market and are classified within Level 2 of the fair value hierarchy.
- *Beneficial interest in fund and beneficial interest in perpetual fund*: This investment pool, in which the Organization participates, includes investments in equities, mutual funds, and fixed income funds. The Organization's separate accounts are adjusted with its proportion of investment activity from the investment pool throughout the year. The fair value of both, the beneficial interest in fund and beneficial interest in perpetual fund, is equal to the Organization's proportion of the quoted price obtained for total investments in the investment pool.

Financial assets and liabilities measured at fair value on a recurring basis are as follows:

|                                       | June 30, 2016     |                   |                   |
|---------------------------------------|-------------------|-------------------|-------------------|
|                                       | Level 1           | Level 2           | Total             |
| Mutual funds:                         |                   |                   |                   |
| Blend funds                           | \$ 7,514          | \$ -              | \$ 7,514          |
| Value funds                           | 114,100           | -                 | 114,100           |
| Total mutual funds                    | 121,614           | -                 | 121,614           |
| Money market accounts                 | -                 | 16,484            | 16,484            |
| Held at Akron Community Foundation:   |                   |                   |                   |
| Beneficial interest in fund           | -                 | 508,523           | 508,523           |
| Beneficial interest in perpetual fund | -                 | 147,593           | 147,593           |
| Investments at fair value             | <u>\$ 121,614</u> | <u>\$ 672,600</u> | <u>\$ 794,214</u> |
|                                       |                   |                   |                   |
|                                       | June 30, 2015     |                   |                   |
|                                       | Level 1           | Level 2           | Total             |
| Mutual funds:                         |                   |                   |                   |
| Blend funds                           | \$ 8,509          | \$ -              | \$ 8,509          |
| Value funds                           | 113,892           | -                 | 113,892           |
| Total mutual funds                    | 122,401           | -                 | 122,401           |
| Money market accounts                 | -                 | 10,159            | 10,159            |
| Held at Akron Community Foundation:   |                   |                   |                   |
| Beneficial interest in fund           |                   | 671,153           | 671,153           |
| Beneficial interest in perpetual fund | -                 | 162,335           | 162,335           |
| Investments at fair value             | <u>\$ 122,401</u> | <u>\$ 843,647</u> | <u>\$ 966,048</u> |

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment, at cost, was comprised of the following at June 30:

|                                | 2016     | 2015     |
|--------------------------------|----------|----------|
| Office equipment               | \$ 8,677 | \$ 5,147 |
| Furniture and fixtures         | 3,167    | 3,167    |
|                                | 11,844   | 8,314    |
| Less: Accumulated depreciation | (7,842)  | (6,323)  |
|                                | \$ 4,002 | \$ 1,991 |

NOTE 7 - DONATED SERVICES AND FACILITIES

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the financial statements for donated services. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services. Management of the Organization estimates that volunteers donated a total of 6,096 and 5,336 hours for the years ended June 30, 2016 and 2015, respectively.

The Organization occupies, without charge, certain administrative and program facilities located in Akron. The fair rental value of these premises, including utilities and services such as security and parking is estimated by management to be \$9,856 for the years ended June 30, 2016 and 2015. This contribution and related expense have been recorded in the statement of activities. Additional in-kind consists of various donations in support of the Organization's special events.

NOTE 8 - MULTIEMPLOYER PENSION PLAN

The Organization offers a noncontributory defined benefit pension plan (the "Plan") to its employees. The Plan is administered by Junior Achievement USA® and covers all full-time employees and employees of participating members of the Organization. The Plan is accounted for like a multiemployer plan. Benefits are determined based on years of service and salary history. The Plan's assets are invested in various investment funds. The respective participants' employers are required to fund the Plan, as determined necessary by Junior Achievement USA's Board of Directors, based on an annual actuarial valuation. The Organization makes contributions equal to 16.75% of participants' eligible compensation. Additionally, the Plan requires that participating members who withdraw from the Plan remain liable for any previous funding obligations under the Plan. Accordingly, the Organization recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization. The Organization's policy is to fund pension costs as it is billed by the National Organization.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

The risks to the Organization of participating in this multiemployer pension plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.
- If the Organization chooses to stop participating in some of its multiemployer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.
- The Organization’s participation in this Plan for the annual periods ended June 30, 2016 and 2015 is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (EIN) and the three-digit plan number. The increase in contribution percentage noted above affects the period-to-period comparability of the contributions for years 2016 and 2015.

| <u>Pension Fund</u>   | <u>EIN/Pension Plan<br/>Number</u> | <u>Funded Status</u> |             | <u>Contributions of<br/>Organization</u> |                  |
|---|------------------------------------|----------------------|-------------|--|------------------|
|   |                                    | <u>2016</u>          | <u>2015</u> | <u>2016</u>                              | <u>2015</u>      |
| Retirement Plan for<br>Employees of Junior<br>Achievement USA | 13-163 5270 PN 333                 | 80.1%                | 70.6%       | <u>\$ 36,904</u>                         | <u>\$ 49,327</u> |

The Board of the National Organization has indicated an intention to fully fund and terminate the Plan by 2020 and is investigating alternative retirement plans for the future. No action to fully terminate the Plan has been taken at this time.

NOTE 9 - HEALTH AND WELFARE BENEFITS TRUST

The Organization has a medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the plan for each participant by the Organization. All the assets and liabilities of the plan are held in the Junior Achievement USA Health and Welfare Benefits Trust (“Benefits Trust”). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization.

The Organization’s insurance premium expense for the years ended June 30, 2016 and 2015 was \$27,092 and \$29,379, respectively. The Organization’s policy is to fund insurance premium costs as it is billed by the National Organization.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 10 - INCENTIVE PLAN

The Organization has an incentive plan for substantially all full-time employees. Incentives are paid annually to employees based on program, revenue and strategic objective goals being met for the fiscal year. Management determined that no such accrual was necessary at June 30, 2016 and 2015.

NOTE 11 - LEASES

The Organization has operating leases for a copier and mail machine. Future minimum rental payments required under the operating leases are as follows:

|      |                 |
|------|-----------------|
| 2017 | \$ 2,179        |
| 2018 | 576             |
|      | <u>\$ 2,755</u> |

Rent expense was \$3,725 and \$4,343 for the years ended June 30, 2016 and 2015, respectively.

NOTE 12 - NATIONAL LICENSE FEE

The Organization is supported by the National Organization which seeks to ensure uniform operating standards of local programs. The National Organization provides staff assistance, training manuals, training programs and other supporting services. Participation in the National Organization requires a fee of 9% of the Organization's cash-basis public support received up to \$300,000 and 1.8% of cash-basis public support in excess of \$300,000. The Organization has an agreement with the National Organization whereby the Organization pays fees in ten equal installments based on audited revenues from the previous year. National license fee expense was \$34,473 and \$34,241 for the years ended June 30, 2016 and 2015, respectively.

NOTE 13 - CORRECTION OF ERROR

An error resulting in a misclassification of previously reported categories within net assets as of June 30, 2015, was discovered in the current year based on certain restrictions within beneficial interest funds held at Akron Community Foundation. The correction of the error increased temporarily restricted net assets by \$671,153 and decreased unrestricted net assets and permanently restricted net assets by \$443,351 and \$227,802, respectively, for the year ended June 30, 2015.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
REVENUE SUBJECT TO LICENSE FEE

Area ID 1001-03

Junior Achievement of North Central Ohio

For the year ended June 30, 2016

|   |                          |
|---|--------------------------|
| Revenue per audit:  |                          |
| Total unrestricted revenue  | \$ 859,780               |
| Total permanently restricted revenue  | (14,742)                 |
| Add prior year pledges receivable - gross   | 93,593                   |
| Subtract total current year-end pledges receivable - gross  | (81,855)                 |
| Add special event expenses  | <u>35,896</u>            |
| Adjusted total revenue  | 892,672                  |
| Subtract:   |                          |
| In-kind   | (56,112)                 |
| Other income  | -                        |
| Realized losses (gains), net - (Net gain from beneficial interests and<br>loss on disposal of assets) | (28,414)                 |
| Unrealized loss (gain)  | 73,256                   |
| Investment income   | (16,098)                 |
| Pass-through from Junior Achievement USA, if exempt from license fee                                  | <u>(11,750)</u>          |
| Revenue subject to license fee  | <u><u>\$ 853,554</u></u> |
| License fee calculated  |                          |
| (9% of first \$300,000, 1.8% over \$300,000)  | <u><u>\$ 36,964</u></u>  |

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.  
REVENUE SUBJECT TO LICENSE FEE  
OTHER INCOME & PASSTHROUGH DETAIL

Area ID 1001-03

Junior Achievement of North Central Ohio

For the year ended June 30, 2016

|  |                           |
|--|---------------------------|
| Other income                                   |                           |
| Program sales                                  | <u>\$          34,655</u> |
| Pass-through from Junior Achievement USA       |                           |
| AT&T - JA USA                                  | \$          8,750         |
| GE - JA USA                                    | <u>          3,000</u>    |
| Total pass-through from Junior Achievement USA | <u>\$         11,750</u>  |