

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2018

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
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MONROE, SWEERIS & TROMP P.L.C.

Certified Public Accountants and Consultants

December 26, 2018

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Association for a More Just Society - U.S.
Grand Rapids, Michigan

We have audited the accompanying financial statements of Association for a More Just Society - U.S. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2018, 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 Association for a More Just Society - U.S. as of July 31, 2018 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.

Adjustment to Net Assets at Beginning of Year

The financial statements of Association for a More Just Society - U.S. as of July 31, 2017, were audited by other auditors whose report dated January 5, 2018, expressed an unmodified opinion on those financial statements. As discussed in Note 11 to the financial statements, the Organization has restated its 2017 financial statements to properly reflect grants payable. The other auditors reported on the 2017 financial statements before restatement.

As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the net assets at beginning of year. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2017 financial statements of Association for a More Just Society - U.S. other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Monroe, Sweevis & Tromp

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2018

ASSETS

CURRENT ASSETS:

Cash	\$ 231,569
Unconditional promises to give (Note 4)	10,015
Prepaid expenses	<u>9,590</u>

TOTAL CURRENT ASSETS 251,174

PROPERTY AND EQUIPMENT (NOTE 5) 1,339,464

OTHER ASSETS:

Cash - capital campaign (Note 2)	2,573,384
Unconditional promises to give - capital campaign (Note 4)	<u>964,657</u>

TOTAL OTHER ASSETS 3,538,041

\$ 5,128,679

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 6,626
Payroll liabilities	3,843
Grants payable (Note 7)	93,600
Accrued interest (Note 6)	1,459
Current maturities of long-term debt (Note 6)	<u>80,491</u>

TOTAL CURRENT LIABILITIES 186,019

ACCRUED INTEREST (NOTE 6) 6,700

LONG-TERM DEBT, net of current maturities (Note 6) 1,905,076

TOTAL LIABILITIES 2,097,795

COMMITMENTS (NOTE 8)

NET ASSETS:

Unrestricted	831,855
Temporarily restricted (Note 9)	<u>2,199,029</u>

TOTAL NET ASSETS 3,030,884

\$ 5,128,679

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Grants and contributions	\$ 747,673	\$ 366,547	\$ 1,114,220
Other income	1,965	1,465	3,430
	749,638	368,012	1,117,650
Net assets released from restrictions	20,607	(20,607)	-
TOTAL SUPPORT AND REVENUE	770,245	347,405	1,117,650
EXPENSES:			
Program services	570,867	-	570,867
Supporting activities:			
Fundraising	73,230	-	73,230
Management and general	93,832	-	93,832
Total supporting activities	167,062	-	167,062
TOTAL EXPENSES	737,929	-	737,929
CHANGE IN NET ASSETS	32,316	347,405	379,721
NET ASSETS , beginning of year (as restated Note 10)	799,539	1,851,624	2,651,163
NET ASSETS , end of year	\$ 831,855	\$ 2,199,029	\$ 3,030,884

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2018

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
EXPENSES:				
Grants and project expenses	\$ 410,276	\$ -	\$ -	\$ 410,276
Salaries and wages	79,762	34,204	43,148	157,114
Education and fundraisers	20,406	240	18,962	39,608
Professional fees	2,875	25,472	-	28,347
Office expenses	13,177	1,896	10,227	25,300
Payroll taxes	6,489	1,923	3,619	12,031
Justice promotion	16,986	-	-	16,986
Travel	7,925	-	2,697	10,622
Electronic giving	-	-	9,428	9,428
Employee benefits	4,494	1,488	1,952	7,934
Occupancy	1,862	2,983	931	5,776
Conferences and meetings	4,455	-	675	5,130
Donor database	1,452	1,452	1,936	4,840
Board meetings	-	3,315	-	3,315
Bank fees	485	146	146	777
Dues	223	111	111	445
TOTAL EXPENSES	\$ 570,867	\$ 73,230	\$ 93,832	\$ 737,929

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 379,721
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Contributions restricted for capital campaign	(366,547)
Changes in operating assets and liabilities:	
Unconditional promises to give	40,000
Prepaid expenses	(5,111)
Accounts payable	4,437
Payroll liabilities	(81)
Grants payable	<u>(24,125)</u>
Net cash provided by operating activities	<u>28,294</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash used (restricted) for capital campaign	(2,310,930)
Purchase of property and equipment	<u>(514,224)</u>
Net cash used in investing activities	<u>(2,825,154)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from capital campaign contributions and promises to give	916,815
Proceeds from borrowings	<u>1,955,000</u>
Net cash provided by financing activities	<u>2,871,815</u>

CHANGE IN CASH 74,955

CASH, beginning of year 156,614

CASH, end of year \$ 231,569

Supplemental disclosure of cash flow information (Note 10).

See accompanying notes to financial statements.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE ORGANIZATION

Association for a More Just Society - U.S. (Association), an Illinois not-for-profit corporation, was incorporated on June 23, 2000. The Association is a Christian organization working to achieve social justice for the poorest and most vulnerable members of Honduran society by targeting macro level issues of injustice.

The objectives of the Association include promoting the interest of the poorest in legislative projects, defending the rights of the most vulnerable in judicial processes, increasing the awareness and democratic participation of churches to practice the Biblical teachings on justice, and publishing journalistic investigations on issues that affect the poor of Honduras. Current programs focus on promoting peace, justice, and the transformation of society and government in Honduras.

The Association is primarily supported by contributions from the general public.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Revenues are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets - The portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets - The portion of net assets whose use by the Association is limited by donor-imposed stipulation that either expire by passage of time or can be fulfilled and removed by actions of the Association.

Note 2 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Presentation (continued)

Permanently Restricted Net Assets – The portion of net assets whose use is limited by donor-imposed restrictions that neither expire by being in accordance with a donor’s restriction nor by the passage of time. The Association has no permanently restricted net assets.

Support and Expenses

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or the nature of any donor restrictions. All donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is when a stipulated time restriction or event occurs, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire, or the conditions are met, in the reporting period in which the support is recognized.

Contributions of assets other than cash are recorded at their fair values at the time of the gift.

Contributions Receivable

The Association has received unconditional promises to give arising from grant agreements and pledges from individual donors which are recorded as contributions receivable in the statements of financial position. Unconditional promises to give are recognized as revenues or gains in the period received and as either assets or decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are initially recorded at fair value and are stated net of an allowance for estimated uncollectible promises based on historical experience and other factors.

Note 2 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Contributions Receivable (continued)

The amount of the receivable is based on an estimate of future cash flows and due to unknown factors affecting individual donors and grantors, it is possible that the estimated future cash flows of the contribution receivable could increase or decrease by a significant amount in the near term.

Management has evaluated contributions receivable for collectability and no allowance for uncollectible amounts was established as management deems them to be fully collectible.

Cash - Capital Campaign

Cash received for the purpose of generating capital to fund construction in progress (capital campaign) has been classified as other asset due to donor-imposed restrictions and debt financing limiting its use to long term purposes (property and equipment).

For purposes of the statement of cash flows, cash does not include cash held for fulfilling restrictions for purchase of property and equipment.

Income Taxes

The Association is exempt from federal income taxes as a non-profit organization under Internal Revenue Code Section 501(c)(3) and applicable state law. In addition, the Association qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under section 509(a)(2). Management believes that the Association does not have any uncertain tax positions that would be material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. While management believes it has consistently applied its best judgement in those areas requiring estimates, actual results could differ from those estimates.

Note 2 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value at time acquired, if donated, and are depreciated under the straight-line method over their estimated economic useful lives. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs, and minor renewals are charged to operations as incurred. Equipment is depreciated over periods of 5 to 10 years.

Donated Services

The value of certain donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers, including board members, have donated amounts of their time to the Association's operations.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities of the Organization have been summarized on the functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities that benefited from those costs.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Subsequent Events

For the year ended July 31, 2018, the Organization has evaluated subsequent events for potential recognition and disclosure through December 26, 2018, the date the financial statements were available to be issued.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 3 - RISK CONCENTRATION

Cash

The Association's cash consist of amounts placed in one financial institution. While the accounts' balances at times may exceed the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC), the Association has not experienced, nor does it anticipate, any loss of funds. There was \$2,521,898 exceeding federal insurance limits at July 31, 2018.

Foreign Operations

A significant portion of the operations of the Association is dedicated exclusively to raising funds and awareness for Asociacion Para Una Sociedad Mas Justa, based in Tegucigalpa, Honduras. A significant amount of the Association's activities are located in Honduras. It is reasonably possible that operations could be disrupted at any time.

NOTE 4 - UNCONDITIONAL PROMISE TO GIVE

The Association has pledge giving programs for the purpose of generating additional capital to fund construction in progress (capital campaign) which are classified as other assets due to the restriction of being invested in long-term assets (property and equipment) and also has pledges for ongoing operations which are classified as current assets. These promises to give are scheduled to be collected through the year ended July 31, 2020.

The amount of the receivable is based on an estimate of future cash flows and due to unknown factors affecting individual donors, it is possible that the estimated future cash flows of contributions receivable could increase or decrease by a significant amount in the near term. Management believes that the asset value reflected in the statements of financial position approximates the fair value of these receivables at July 31, 2018.

Contributions receivable are recorded net of a present value discount factor of 0.3% and are expected to be fully collectible.

Note 4 continued on next page.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 4 - UNCONDITIONAL PROMISE TO GIVE (CONTINUED)

Pledges are presented in the statement of position at July 31, 2018 with the following restrictions at their net present value:

Capital campaign	\$ 964,657
Operating pledges	<u>10,015</u>
	<u>\$ 974,672</u>

Pledges receivable are expected to be collected as follows:

Amounts due in:	
One year or less	\$ 665,915
Two to five years	<u>312,800</u>
	978,715
Less present value discount	<u>(4,043)</u>
Net present value of contributions receivable	<u>\$ 974,672</u>

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at July 31, 2018 is as follows:

Land	\$ 720,020
Construction in progress	<u>619,444</u>
	<u>\$1,339,464</u>

Association for a More Just Society - US is constructing a new office in Tegucigalpa which will be the primary office space for the growing staff of our partner organization the Asociación para una Sociedad más Justa. More than an office, this building will be a home for those who seek justice and those who are working to achieve it – it will be a space where leaders in government, civil society, and social movements can convene around the big ideas that will transform Honduras. This building will be a safe and permanent space, a visible commitment to this place and to this work. The total project cost is expected to be \$5,065,000. Excavation of the land began in April 2018; the estimated construction completion is August 2019.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 6 - NOTES PAYABLE

The Association has notes payable for the purpose of generating additional capital to fund construction in progress. Notes payable at July 31, 2018 consist of:

Unsecured note payable (nonrecourse term loan) to nine individuals accruing interest only at 5% until July 2019. Thereafter principal and accrued interest will be combined and require quarterly payments beginning October 2019, bearing interest at 5% and maturing April 2026.	\$1,735,567
Unsecured notes payable (bridge loans) to a foundation which requires annual payments of principal plus interest at 3.5% and maturing June 2021.	<u>250,000</u>
	1,985,567
Less current maturities	<u>80,491</u>
	<u><u>\$1,905,076</u></u>

Maturities for the next five years ended July 31 are as follows:

	Total Principal Amount Due
2019	\$ 80,491
2020	306,668
2021	320,977
2022	246,718
2023	259,287

Subsequent to year-end, the Organization entered into two notes payable agreements (bridge loans) with individuals totaling \$200,000. The notes require annual payments of principal plus interest at 3.5% and mature at various dates from November 2021 to December 2021.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7 – GRANTS PAYABLE

The Association has awarded a grant in support of Asociación para una Sociedad más Justa, a Honduran organization, in the amount of \$333,600 for the calendar year 2018 of which \$93,600 is payable at year-end July 31, 2018 and is expected to be paid during the year ended July 31, 2019.

NOTE 8 - COMMITMENTS

Leases

The Association leases office space under an operating lease agreement requiring monthly payments of \$310 and expiring June 30, 2019 with the right to renew for an additional two years. Rent expense under current and expired leases was \$3,724 for the year ended July 31, 2018. Required minimum payments under the lease are expected to be \$3,410 for the year ended July 31, 2019.

Retirement Plans

The Association has established a SIMPLE IRA plan which allows for matching contributions up to 3% of compensation. Contributions and administrative expenses of the plan were \$4,267 for the year ended July 31, 2018.

Self-Insured State Unemployment Fund

In accordance with state law, Association for a More Just Society has elected to be a reimbursing employer for state unemployment tax purposes. In lieu of quarterly tax contributions, the Organization will reimburse the state dollar for dollar for all unemployment claims made. State law requires the establishment of a letter of credit or surety bond as guarantee of payment under this program.

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Contributions that are restricted by a grantor agency or a donor are reported as an increase in unrestricted net assets if the restriction expires, or the conditions are met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. As of July 31, 2018, temporarily restricted net assets are restricted as follows:

Capital campaign	\$2,198,102
Roland Hoksbergen Research	<u>927</u>
	<u>\$2,199,029</u>

NOTE 10 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The following are supplemental disclosures to the statement of cash flows for the year ended July 31, 2018:

Non-cash activity	
Capitalized interest	\$ 38,726
Interest accrued	(8,159)
Interest refinanced to long-term debt	<u>(30,567)</u>
Cash paid for interest	<u><u>\$ -</u></u>

NOTE 11 - RESTATEMENT

The Association has restated its beginning of year net assets for a prior period correction to recognize unconditional promise to give to others (grants payable). Unrestricted net assets as of July 31, 2017 were reduced by \$117,725 which was the balance of grants payable at July 31, 2017.