ASSOCIATION FOR A MORE JUST SOCIETY - U.S.

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2019 AND 2018

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
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December 6, 2019

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 statements of financial position as of July 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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.

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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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 12, the Association adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended July 31, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Monroe, Sweeris + Tromp

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	July 31, 2019	July 31, 2018
CURRENT ASSETS:		
Cash	$ 369,228	$ 231,569
Unconditional promises to give (Note 4)	-	10,015
Prepaid expenses	22,019	9,590
TOTAL CURRENT ASSETS	391,247	251,174
PROPERTY AND EQUIPMENT (NOTE 5)	3,925,959	1,339,464
OTHER ASSETS:		
Capital campaign financial assets:		
Cash (Note 2)	1,122,832	2,573,384
Unconditional promises to give (Note 4)	361,107	964,657
TOTAL OTHER ASSETS	1,483,939	3,538,041
	$ 5,801,145	$ 5,128,679

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	July 31,	
	2019	2018
CURRENT LIABILITIES:		
Accounts payable	$ 3,640	$ 6,626
Payroll liabilities	9,403	3,843
Accrued interest (Note 6)	17,485	1,459
Grant payable (Note 7)	174,300	93,600
Deferred revenue	1,900	-
Current maturities of long-term debt (Note 6)	467,460	80,491
TOTAL CURRENT LIABILITIES	674,188	186,019
ACCRUED INTEREST (NOTE 6)	-	6,700
LONG-TERM DEBT, net of current maturities (Note 6)	2,026,043	1,905,076
TOTAL LIABILITIES	2,700,231	2,097,795
COMMITMENTS (NOTE 8)		
NET ASSETS:		
Without donor restrictions	230,889	212,411
With donor restrictions (Note 9)	2,870,025	2,818,473
TOTAL NET ASSETS	3,100,914	3,030,884
	$ 5,801,145	$ 5,128,679

ASSOCIATION FOR A MORE JUST SOCIETY - U.S.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 997,895	$ 51,552	$ 1,049,447
Other income	2,450	-	2,450
TOTAL SUPPORT AND REVENUE	1,000,345	51,552	1,051,897
EXPENSES:			
Program services	787,631	-	787,631
Supporting activities:			
Management and general	70,409	-	70,409
Fundraising	123,827	-	123,827
Total supporting activities	194,236	-	194,236
TOTAL EXPENSES	981,867	-	981,867
CHANGE IN NET ASSETS	18,478	51,552	70,030
NET ASSETS, beginning of year	212,411	2,818,473	3,030,884
NET ASSETS, end of year	$ 230,889	$ 2,870,025	$ 3,100,914

See accompanying notes to financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	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:			
Management and general	73,230	-	73,230
Fundraising	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	180,095	2,471,068	2,651,163
NET ASSETS, end of year	$ 212,411	$ 2,818,473	$ 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, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
EXPENSES:				
Grants and project expenses	$ 569,500	$ -	$ -	$ 569,500
Salaries and wages	103,789	26,098	63,145	193,032
Special events	17,266	247	20,392	37,905
Professional fees	7,692	26,879	-	34,571
Office expenses	14,192	1,543	11,566	27,301
Employee benefits	16,197	6,395	4,572	27,164
Justice promotion	22,921	-	-	22,921
Travel	12,639	-	3,706	16,345
Payroll taxes	8,393	1,093	5,280	14,766
Electronic giving fees	-	-	10,863	10,863
Occupancy	1,860	2,745	930	5,535
Conferences and meetings	4,201	-	1,246	5,447
Donor database	1,434	1,434	1,912	4,780
Board meetings	-	3,760	-	3,760
Bank fees	2,818	132	132	3,082
Bad debt	2,500	-	-	2,500
Dues	2,229	83	83	2,395
TOTAL EXPENSES	$ 787,631	$ 70,409	$ 123,827	$ 981,867

See accompanying notes to financial statements.

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

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
EXPENSES:				
Grants and project expenses	$ 410,276	$ -	$ -	$ 410,276
Salaries and wages	79,762	34,204	43,148	157,114
Special events	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
Employee benefits	4,494	1,488	1,952	7,934
Justice promotion	16,986	-	-	16,986
Travel	7,925	-	2,697	10,622
Payroll taxes	6,489	1,923	3,619	12,031
Electronic giving fees	-	-	9,428	9,428
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.
STATEMENTS OF CASH FLOWS

	July 31, 2019	July 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 70,030	$ 379,721
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for capital campaign	(27,552)	(366,547)
Changes in operating assets and liabilities:		
Unconditional promises to give	10,015	40,000
Prepaid expenses	(12,429)	(5,111)
Accounts payable	(2,986)	4,437
Payroll liabilities	5,560	(81)
Accrued interest	(8,750)	-
Grants payable	80,700	(24,125)
Deferred revenue	1,900	-
Net cash provided by operating activities	116,488	28,294
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash used (restricted) for capital campaign	1,450,552	(2,310,930)
Purchase of property and equipment	(2,480,000)	(514,224)
Net cash used in investing activities	(1,029,448)	(2,825,154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital campaign contributions and promises to give	631,102	916,815
Proceeds from long-term debt	500,000	1,955,000
Payments on long-term debt	(80,483)	-
Net cash provided by financing activities	1,050,619	2,871,815
CHANGE IN CASH	137,659	74,955
CASH, beginning of year	231,569	156,614
CASH, end of year	$ 369,228	$ 231,569

Supplemental disclosure of cash flow information (Note 10).

See accompanying 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

The Association reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Note 2 continued on next page.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or the nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. Contributions of cash restricted to the purchase or construction of property and equipment are reported as net assets with donor restrictions and are considered to expire when the assets are placed in service. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

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.

Note 2 continued on next page.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value at time acquired, if donated, and once placed in service 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.

Note 2 continued on next page.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Advertising Costs

The Association expenses advertising costs as they are incurred.

Methods Used for Allocation of Expenses Among Program and Supporting Services

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office expenses and occupancy, which are allocated on the basis of usage, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Reclassifications

Certain amounts in the July 31, 2018 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

For the year ended July 31, 2019, the Association has evaluated subsequent events for potential recognition and disclosure through December 6, 2019, the date the financial statements were available to be issued.

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 $1,191,744 and $2,521,898 exceeding federal insurance limits at July 31, 2019 and 2018, respectively.

Foreign Operations

A significant portion of the operations of the Association is dedicated exclusively to raising funds and awareness for Association 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, 2021.

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 year end.

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.

NOTE 4 - UNCONDITIONAL PROMISE TO GIVE (CONTINUED)

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

	July 31,	
	2019	2018
Capital campaign	$ 361,107	$ 964,657
Operating pledges	-	10,015
	$ 361,107	$ 974,672

Pledges receivable are expected to be collected as follows:

	July 31,	
	2019	2018
Amounts due in:		
One year or less	$ 212,400	$ 665,915
Two to five years	150,000	312,800
	362,400	978,715
Less present value discount	(1,293)	(4,043)
Net present value of contributions receivable	$ 361,107	$ 974,672

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	July 31,	
	2019	2018
Land	$ 720,020	$ 720,020
Construction in progress	3,205,939	619,444
	$3,925,959	$1,339,464

Note 5 continued on next page.

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

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 \$5.5 million. Excavation of the land began in April 2018, and the estimated construction completion is December 2019. Dedication of the building is scheduled for January 2020.

NOTE 6 - NOTES PAYABLE

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

	July 31,	
	2019	2018
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.	$1,823,986	$1,735,567
Unsecured notes payable (bridge loans) to seven individuals and foundations which requires annual payments of principal plus interest at 3.5% and maturing at various dates from June 2021 through May 2022.	669,517	250,000
	2,493,503	1,985,567
Less current maturities	467,460	80,491
	$2,026,043	$1,905,076

Notes payable include \$862,432 and \$725,473 at July 31, 2019 and 2018, respectively, payable to individuals who serve as directors of the Association.

Note 6 continued on next page.

NOTE 6 - NOTES PAYABLE (CONTINUED)

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

	Total Principal Amount Due
2020	$ 467,460
2021	487,619
2022	419,196
2023	259,335
2024	272,446

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 $348,600 and $333,600 for the calendar years 2019 and 2018, respectively, of which $174,300 and $93,600 is payable at year-end July 31, 2019 and 2018, respectively. Grants payable are expected to be paid in less than one year.

NOTE 8 - COMMITMENTS

Leases

The Association leases office space under an operating lease agreement requiring monthly payments of $310 and expiring June 30, 2020 with the right to renew for an additional two years. Rent expense under current and expired leases was $3,720 and $3,724 for the years ended July 31, 2019 and 2018, respectively. Required minimum payments under the lease are expected to be $3,410 for the year ended July 31, 2020.

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 $4,181 and $4,267 for the years ended July 31, 2019 and 2018, respectively.

Note 8 continued on next page.

NOTE 8 - COMMITMENTS (CONTINUED)

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.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	July 31,	
	2019	2018
Capital campaign	$2,845,098	$2,817,546
Learning trip	24,000	-
Research	927	927
	$2,870,025	$2,818,473

Net assets with donor restrictions include capitalized construction progress which is considered to expire when the asset is placed in service.

NOTE 10 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The following are supplemental disclosures to the statements of cash flows:

	Year Ended July 31,	
	2019	2018
Non-cash activity:		
Capitalized interest	$ 106,495	$ 38,726
Interest accrued	(9,326)	(8,159)
Interest financed to long-term debt	(88,419)	(30,567)
Cash paid for interest	$ 8,750	$ -

NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association's financial assets as of July 31, 2019 available for general expenditure within one year, reduced by amounts not available for general use because of contractual or donor-imposed restrictions:

Cash	$ 369,228
Less amounts unavailable for general expenditure within one year due to:	
Donor imposed purpose restrictions	(24,927)
Financial assets available for general use within one year	$ 344,301

Because donor restrictions require resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, a portion of financial assets are not available for general expenditure within one year. Additionally, financial assets generated for the capital campaign have been excluded from financial assets available for general use within one year.

As part of the Association's liquidity management, the Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Board has established a policy to maintain three months operating expenses as a cash reserve. The cash reserve may go below the three-month reserve with finance committee approval and board notification.

NOTE 12 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended July 31, 2019, the Association adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets, are now reported as net assets with donor restrictions.

Note 12 continued on next page.

NOTE 12 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT (CONTINUED)

As required by ASU 2016-14, the Association has reclassified amounts spent for construction in progress that were previously released from net assets with donor restriction for the construction of property and equipment. Those amounts are now reclassified as net assets with donor restrictions and will be released to net assets without donor restrictions when the related property and equipment are placed in service. Accordingly, net assets with donor restrictions at July 31, 2018, has increased by $619,444 with a corresponding decrease in net assets without donor restrictions. Those changes have the following effect on net assets at July 31, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 831,855	$ -
Temporarily restricted net assets	2,199,029	-
Net assets without donor restrictions	-	212,411
Net assets with donor restrictions	-	2,818,473
Total net assets	$3,030,884	$3,030,884