

**ASSOCIATION FOR A MORE JUST SOCIETY - U.S.  
dba ASJ-US**

**FINANCIAL STATEMENTS**

**YEARS ENDED JULY 31, 2020 AND 2019**

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

***Certified Public Accountants and Consultants***

January 21, 2021

## **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. (dba AJS-US) (a nonprofit organization), which comprise the statements of financial position as of July 31, 2020 and 2019, 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.

## **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, 2020 and 2019, 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.

*Monroe, Sweetis + Tromp*

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

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**ASSETS**

	July 31,	
	2020	2019
<b>CURRENT ASSETS:</b>		
Cash (Note 11)	\$ 644,580	\$ 369,228
Unconditional promises to give (Note 5)	50,000	-
Prepaid expenses	8,630	22,019
<b>TOTAL CURRENT ASSETS</b>	<b>703,210</b>	<b>391,247</b>
<b>PROPERTY AND EQUIPMENT (NOTE 6)</b>	<b>4,807,668</b>	<b>3,925,959</b>
<b>OTHER ASSETS:</b>		
Restricted deposits (Note 11)	54,349	-
Unconditional promises to give (Note 5)	160,823	-
Capital campaign financial assets:		
Cash (Note 11)	-	1,122,832
Unconditional promises to give (Note 5)	163,011	361,107
<b>TOTAL OTHER ASSETS</b>	<b>378,183</b>	<b>1,483,939</b>
	<b>\$ 5,889,061</b>	<b>\$ 5,801,145</b>

*See accompanying notes to financial statements.*

## **LIABILITIES AND NET ASSETS**

	July 31,	
	2020	2019
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 7,017	\$ 8,043
Accrued expenses	38,344	22,485
Grants payable (Note 8)	131,250	174,300
Deferred revenue	60,000	1,900
Current maturities of long-term debt (Note 7)	612,644	467,460
<b>TOTAL CURRENT LIABILITIES</b>	<b>849,255</b>	<b>674,188</b>
<b>LONG-TERM LIABILITIES:</b>		
Tenant's security deposit	30,000	-
Accrued interest (Note 7)	36,165	-
Long-term debt - net of current maturities (Note 7)	1,546,521	2,026,043
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,612,686</b>	<b>2,026,043</b>
<b>TOTAL LIABILITIES</b>	<b>2,461,941</b>	<b>2,700,231</b>
<b>COMMITMENTS (NOTE 9)</b>		
<b>NET ASSETS:</b>		
Without donor restrictions	3,221,310	230,889
With donor restrictions (Note 10)	205,810	2,870,025
<b>TOTAL NET ASSETS</b>	<b>3,427,120</b>	<b>3,100,914</b>
	<b>\$ 5,889,061</b>	<b>\$ 5,801,145</b>

**ASSOCIATION FOR A MORE JUST SOCIETY - U.S.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JULY 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 2,559,320	\$ 205,810	\$ 2,765,130
Rental income (Note 3)	210,000	-	210,000
Other income	6,316	-	6,316
	2,775,636	205,810	2,981,446
Net assets released from restrictions	2,870,025	(2,870,025)	-
<b>TOTAL SUPPORT AND REVENUE</b>	5,645,661	(2,664,215)	2,981,446
<b>EXPENSES:</b>			
Program services	2,453,658	-	2,453,658
Supporting activities:			
Management and general	79,728	-	79,728
Fundraising	121,854	-	121,854
Total supporting activities	201,582	-	201,582
<b>TOTAL EXPENSES</b>	2,655,240	-	2,655,240
<b>CHANGE IN NET ASSETS</b>	2,990,421	(2,664,215)	326,206
<b>NET ASSETS, beginning of year</b>	230,889	2,870,025	3,100,914
<b>NET ASSETS, end of year</b>	\$ 3,221,310	\$ 205,810	\$ 3,427,120

*See accompanying notes to financial statements.*

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 997,895	\$ 51,552	\$ 1,049,447
Other income	2,450	-	2,450
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,000,345</b>	<b>51,552</b>	<b>1,051,897</b>
<b>EXPENSES:</b>			
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
<b>TOTAL EXPENSES</b>	<b>981,867</b>	<b>-</b>	<b>981,867</b>
<b>CHANGE IN NET ASSETS</b>	<b>18,478</b>	<b>51,552</b>	<b>70,030</b>
<b>NET ASSETS, beginning of year</b>	<b>212,411</b>	<b>2,818,473</b>	<b>3,030,884</b>
<b>NET ASSETS, end of year</b>	<b>\$ 230,889</b>	<b>\$ 2,870,025</b>	<b>\$ 3,100,914</b>

*See accompanying notes to financial statements.*



**ASSOCIATION FOR A MORE JUST SOCIETY - U.S.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JULY 31, 2020**

		Supporting Services		
	Program	Management		
	Services	and	Fundraising	Total
		General		
<b>EXPENSES:</b>				
Grants and project expenses	\$ 1,891,814	\$ -	\$ -	\$ 1,891,814
Salaries and wages	138,122	19,497	65,736	223,355
Travel	154,314	41	2,688	157,043
Depreciation	62,591	-	-	62,591
Interest expense	60,369	-	-	60,369
Contracted labor	42,158	-	14,053	56,211
Office expenses	28,387	3,521	8,116	40,024
Professional fees	2,280	35,605	-	37,885
Employee benefits	13,905	4,996	9,883	28,784
Payroll taxes	10,785	1,198	5,042	17,025
Insurance	13,756	3,037	-	16,793
Justice promotion	14,651	-	-	14,651
Conferences and meetings	11,829	1,500	727	14,056
Electronic giving fees	-	-	12,337	12,337
Bank fees	5,230	321	-	5,551
Education and events	1,652	827	1,652	4,131
Donor database	1,215	1,215	1,620	4,050
Board meetings	-	4,024	-	4,024
Occupancy	-	3,720	-	3,720
Bad debt	600	-	-	600
Dues	-	226	-	226
<b>TOTAL EXPENSES</b>	<b>\$ 2,453,658</b>	<b>\$ 79,728</b>	<b>\$ 121,854</b>	<b>\$ 2,655,240</b>

*See accompanying notes to financial statements.*

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

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

*See accompanying notes to financial statements.*

**ASSOCIATION FOR A MORE JUST SOCIETY - U.S.**  
**STATEMENTS OF CASH FLOWS**

	Year Ended July 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 326,206	\$ 70,030
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	62,591	-
Contributions restricted for capital campaign	-	(27,552)
Changes in operating assets and liabilities:		
Unconditional promises to give	(210,823)	10,015
Prepaid expenses	13,389	(12,429)
Accounts payable	(1,026)	2,574
Accrued expenses	52,024	(8,750)
Grants payable	(43,050)	80,700
Deferred revenue	58,100	1,900
Tenant security deposits	30,000	-
Net cash provided by operating activities	287,411	116,488
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(944,300)	(2,480,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from capital campaign contributions and promises to give	198,096	631,102
Proceeds from long-term debt	33,500	500,000
Payments on long-term debt	(367,838)	(80,483)
Net cash provided by (used in) financing activities	(136,242)	1,050,619
<b>CHANGE IN CASH AND RESTRICTED DEPOSITS</b>	(793,131)	(1,312,893)
<b>CASH AND RESTRICTED DEPOSITS, beginning of year</b>	1,492,060	2,804,953
<b>CASH AND RESTRICTED DEPOSITS, end of year</b>	\$ 698,929	\$ 1,492,060

Supplemental disclosure of cash flow information (Note 11).

*See accompanying notes to financial statements.*

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

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**NOTE 1 - THE ORGANIZATION**

Association for a More Just Society - U.S. (dba ASJ-US) (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 Association is primarily supported by contributions from the general public.

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.

A significant portion of the operations of the Association is dedicated to supporting our partner organization the Asociación Para Una Sociedad Más Justa, based in Tegucigalpa, Honduras. In April 2019, the administration of the U.S. government froze \$450 million in U.S. foreign aid to Guatemala, Honduras, and El Salvador. This resulted in a large, sudden, and unexpected loss of funds for the Asociación Para Una Sociedad Más Justa. In response, the Association was able to raise significantly more support from donors in the fiscal year ending July 31, 2020.

**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.*

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign Currency**

Substantially all transactions occurring at the Association's foreign activities are translated at exchange rates in effect when purchased and incurred. Substantially all foreign transactions are paid on demand causing no foreign currency translation gains and losses upon payment of liabilities and purchased assets.

**Support and Revenue**

The Association recognizes contributions when cash, securities or other assets; unconditional promises to give; or a notice of beneficial interest is received. 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 recognized as both contribution revenue and either program expense or property and equipment at their fair values at the time of the gift.

Rental income from operating leases is recognized on a straight-line basis over the lease term.

**Contributions Receivable**

The Association has received unconditional promises to give arising from 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. 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. Conditional promise to give (that is, those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend are met. Promises to give at year end are deemed to be implicitly restricted for a subsequent period.

*Note 2 continued on next page.*

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

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**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).

**Income and Sales Tax**

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.

The Association is obligated to pay 15% sales tax in Honduras on all rental income collected from non-exempt Honduran entities. This amount is collected from the lessee concurrently with the payment of rent. Whenever the Association pays this same sales tax to other vendors in Honduras for separate services, they may reduce their obligation to the Honduran government by an equal amount. The net amount is paid by the Association to the Honduran government before the 15<sup>th</sup> of the month following the one in which rent is collected.

**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)**

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**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 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.

**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, 2019 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, 2020, the Association has evaluated subsequent events for potential recognition and disclosure through January 21, 2021, the date the financial statements were available to be issued.

*Note 2 continued on next page.*

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Pronouncement**

The Association has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Association's financial reporting. Analysis of the various provisions of these standards resulted in no significant changes in the way the Association recognizes revenue, and therefore no changes to the previously issued audited financial statement were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

On November 17, 2016, the FASB issued ASU No. 2016-18, *Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* ("ASU 2016-18"), which addresses classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. The Association adopted ASU 2016-18 for the year ended July 31, 2020 using a retrospective transition method for each period presented.

**NOTE 3 - RENTAL INCOME**

The Association leases a building to a partner organization in Honduras under a noncancelable operating lease with a term of eight years and requiring quarterly payments of \$90,000 through December 31, 2027. The following is a schedule by years of future minimum rentals under the leases at July 31, 2020:

**Year ending July 31:**

2021	\$ 360,000
2022	360,000
2023	360,000
2024	360,000
2025	360,000
2026	360,000
2027	360,000
2028	90,000



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

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**NOTE 4 - RISK CONCENTRATION**

**Cash**

In the normal course of business, the Association may have on deposit with a single institution in excess of FDIC insured limits. While cash 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 \$88,874 and \$1,191,744 exceeding federal insurance limits at July 31, 2020 and 2019, respectively. Additionally, the Association has cash accounts in Honduras that are covered by Honduras deposit insurance (FOSEDE).

**Foreign Operations**

A significant portion of the operations of the Association is dedicated exclusively to raising funds and awareness for Asociación 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 5 - UNCONDITIONAL PROMISES 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.

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

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

	July 31,	
	2020	2019
Capital campaign	\$ 163,011	\$ 361,107
Operating pledges	210,823	-
	<u>\$ 373,834</u>	<u>\$ 361,107</u>

*Note 5 continued on next page.*

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

**NOTE 5 - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)**

Pledges receivable are expected to be collected as follows:

	July 31,	
	2020	2019
Amounts due in:		
One year or less	\$ 213,500	\$ 212,400
Two to five years	162,500	150,000
	376,000	362,400
Less present value discount	(2,166)	(1,293)
Net present value of contributions receivable	<u>\$ 373,834</u>	<u>\$ 361,107</u>

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	July 31,	
	2020	2019
Land	\$ 720,020	\$ 720,020
Building	4,114,037	-
Equipment	36,202	-
	4,870,259	720,020
Less accumulated depreciation	62,591	-
	4,807,668	720,020
Construction in progress	-	3,205,939
Net property and equipment	<u>\$4,807,668</u>	<u>\$3,925,959</u>

Association for a More Just Society - US constructed a new office in Tegucigalpa which is 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 is a home for those who seek justice and those who are working to achieve it – it is a space where leaders in government, civil society, and social movements can convene around the big ideas that will transform Honduras. This building is a safe and permanent space, a visible commitment to this place and to this work. Excavation of the land began in April 2018, and the construction completed in December 2019. Dedication of the building was held in January 2020.

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

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**NOTE 7 - 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,	
	2020	2019
Unsecured note payable (nonrecourse term loan) to seven individuals requiring quarterly payments beginning October 2019, bearing interest at 5% and maturing April 2026.	\$ 885,437	\$1,009,007
Unsecured note payable (nonrecourse term loan) to two individuals accruing interest only at 5% until July 2020. Thereafter principal and accrued interest of \$36,165 will be combined and require quarterly payments beginning October 2020, bearing interest at 5% and maturing April 2027.	814,979	814,979
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.	425,249	669,517
Note payable under the Paycheck Protection Program administered by the Small Business Administration bearing interest at 1% and maturing April 2022. The loan is uncollateralized and guaranteed by the federal government.	33,500	-
	2,159,165	2,493,503
Less current maturities	612,644	467,460
	<u>\$1,546,521</u>	<u>\$2,026,043</u>

*Note 7 continued on next page.*

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

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**NOTE 7 - NOTES PAYABLE (CONTINUED)**

Notes payable include \$823,803 and \$862,432 at July 31, 2020 and 2019, respectively, payable to individuals who serve as directors of the Association.

The Association is eligible for loan forgiveness of up to 100% of the Paycheck Protection Program note payable, upon meeting certain requirements, and the Association believes that they will meet the requirements for forgiveness. The obligation is classified as a current liability since it is expected to be forgiven within the current period.

Subsequent to year-end, the Association received forgiveness on a portion of the nonrecourse term loan of \$105,095 and related accrued interest of \$5,814 as of July 31, 2020. Current maturities include amounts forgiven subsequent to year-end.

The following table of future scheduled maturities does not include \$138,595 of obligations forgiven or expected to be forgiven during the year-ending July 31, 2021. Future scheduled maturities of long-term debt are as follows:

<u>Year ending July 31:</u>	<u>Total Principal Amount Due</u>
2021	\$ 474,049
2022	404,935
2023	244,348
2024	256,796
2025	269,879

**NOTE 8 - GRANTS PAYABLE**

The Association has awarded a grant in support of Asociación para una Sociedad Más Justa, a Honduran organization, in the amount of \$1,870,000 and \$348,600 for the calendar years 2020 and 2019, respectively, of which \$131,250 and \$174,300 is payable at year-end July 31, 2020 and 2019, respectively. Grants payable are expected to be paid in less than one year.

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

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**NOTE 9 - COMMITMENTS**

**Leases**

The Association leases office space under an operating lease agreement requiring monthly payments of \$310 and expiring June 30, 2021 with the right to renew for an additional two years. Rent expense under current and expired leases was \$3,720 for each of the years ended July 31, 2020 and 2019, 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 \$4,397 and \$4,181 for the years ended July 31, 2020 and 2019, respectively.

**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 10 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	July 31,	
	2020	2019
Capital campaign	\$ -	\$2,845,098
Honduras leadership support	200,000	-
Learning trip	-	24,000
Pandemic (COVID-19) relief	5,810	-
Research	-	927
	<u>\$ 205,810</u>	<u>\$2,870,025</u>

Net assets with donor restrictions at July 31, 2019 included capitalized construction in progress which was considered to expire when the asset was placed in service in January 2020.

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

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**NOTE 11 - CASH AND RESTRICTED DEPOSITS**

**Restricted Deposits**

The Association holds tenant security deposits in a Honduran bank account equal to the amount of the full security deposit in Honduran lempira.

The national electrical utility company in Honduras (ENEE) requires the Association to maintain a security deposit with regard to electrical services for the building in Tegucigalpa. This security deposit is maintained in a separate bank account and is required as long as the Association receives electrical services from the company.

**Disclosure of Cash Flow Information**

The following table provides a reconciliation of cash, restricted deposits and capital campaign cash reported within the statements of financial position of that sum to the total of the same such amount shown in the statements of cash flows:

	<u>July 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 644,580	\$ 369,228
Restricted deposits	54,349	-
Capital campaign cash	<u>-</u>	<u>1,122,832</u>
	<u>\$ 698,929</u>	<u>\$1,402,060</u>

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

	<u>Year Ended July 31,</u>	
	<u>2020</u>	<u>2019</u>
Non-cash activity:		
Capitalized interest	\$ 48,826	\$ 106,495
Interest expense	60,369	-
Interest accrued	(37,604)	(9,326)
Interest financed to long-term debt	<u>-</u>	<u>(88,419)</u>
Cash paid for interest	<u>\$ 71,591</u>	<u>\$ 8,750</u>

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

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**NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

	July 31,	
	2020	2019
Cash and restricted deposits	\$ 698,929	\$ 369,228
Unconditional promises to give (operating pledges)	210,823	-
Less amounts unavailable for general expenditure		
within one year due to:		
Contractual obligations	(54,349)	-
Donor imposed purpose restrictions	(205,810)	(24,927)
Financial assets available for general use within one year	<u>\$ 649,593</u>	<u>\$ 344,301</u>

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 plus a quarter of annual debt payments as a cash reserve, which was approximately \$400,000 as of July 31, 2020. The cash reserve may go below the three-month reserve with finance committee approval and board notification.

**ASSOCIATION FOR A MORE JUST SOCIETY - U.S.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 13 - GLOBAL PANDEMIC**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries have been impacted by the pandemic resulting in investment and credit markets experiencing significant volatility. As a result of uncertainty resulting from the global pandemic, the Association received a loan of \$33,500 under the Paycheck Protection Program administered by the Small Business Administration (see note 6). In response to executive orders and precautionary measures to combat the spread of the coronavirus, the Association postponed all in-person events and travel. Due to the risks of COVID 19, the Association requested that all its employees and fellows working in Honduras who are United States citizens return to the United States. The Association raised additional aid to send to the Association's partner in Honduras for pandemic assistance and COVID-19 relief.

Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption will impact the financial position, net assets and cash flows of the Association. No adjustments have been made to these financial statements as a result of these uncertainties. Management continues to monitor the Association's current financial condition, liquidity sources available, obligations due and funding sources necessary to operate in light of the global pandemic.