

ECONOMIC JUSTICE
ALLIANCE OF MICHIGAN
(A MICHIGAN NON-PROFIT CORPORATION)
INDEPENDENT AUDITOR'S REPORT &
FINANCIAL REPORT

For the Year Ended December 31, 2018

Economic Justice Alliance of Michigan



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Economic Justice Alliance of Michigan
Detroit, Michigan

We have audited the accompanying financial statements of Economic Justice Alliance of Michigan (A Michigan Non-Profit Corporation), which comprise the statement of financial position as of December 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 misstatements, 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Economic Justice Alliance of Michigan as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

First Premier Accountants
August 12, 2019

Economic Justice Alliance of Michigan

Statement of Financial Position December 31, 2018

ASSETS

Current Assets:

Cash and Equivalents	\$ 808,550
Other Assets - Deposit	9,500
Total Current Assets	<u>818,050</u>

Fixed Assets

Property & Equipment	1,481
Accumulated Depreciation	(37)
Total Fixed Assets	<u>1,444</u>

Total Assets	<u><u>819,494</u></u>
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LIABILITIES AND NET ASSETS

Liabilities:

Total Liabilities	<u>-</u>
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Net Assets:

Without Donor Restrictions	98,575
With Donor Restrictions	720,919
Total Net Assets	<u>819,494</u>

Total Liabilities and Net Assets	<u><u>\$ 819,494</u></u>
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The accompanying notes are an integral part of these statements

Economic Justice Alliance of Michigan

Statement of Activities Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants	\$ 105,000	\$ 695,000	\$ 800,000
Other Revenue	714	-	714
Net Assets Released from Restrictions	693,073	(693,073)	-
Total Revenue and Support	<u>798,787</u>	<u>1,927</u>	<u>800,714</u>
Expenses:			
Program Services	602,559	-	602,559
Management and General	123,578	-	123,578
Fundraising	19,519	-	19,519
Total Expenses	<u>745,656</u>	<u>-</u>	<u>745,656</u>
Change in Net Assets	53,131	1,927	55,058
Net Assets - Beginning of Year	<u>45,444</u>	<u>718,992</u>	<u>764,436</u>
Net Assets - End of Year	<u>\$ 98,575</u>	<u>\$ 720,919</u>	<u>\$ 819,494</u>

The accompanying notes are an integral part of these statements

Economic Justice Alliance of Michigan

Statement of Cash Flows Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	<u>\$ 55,058</u>
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	37
(Increase) Decrease in Accounts Receivable	4,000
Net Cash Provided by (Used in) Operating Activities	<u>59,095</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Office Equipment	(1,481)
Net Cash Provided by (Used in) investing Activities	<u>(1,481)</u>

Net Increase (Decrease) Cash and Equivalents	57,614
Cash and Equivalents, Beginning of Year	<u>750,936</u>
Cash and Equivalents, End of Year	<u>\$ 808,550</u>

The accompanying notes are an integral part of these statements

Economic Justice Alliance of Michigan

Statement of Functional Expenses Year Ended December 31, 2018

Expenses	Program Services	Management & General	Fundraising	Total
Personnel Expenses:				
Employee Compensation	\$ 49,086	\$ 59,450	\$ 5,063	\$ 113,599
Employee Benefits	430	9,333	-	9,763
Payroll Taxes	4,200	5,087	433	9,720
Total Personnel Expenses	53,716	73,870	5,496	133,082
Other Expenses:				
Fellowship Expenses	134,968	-	-	134,968
Computer & Information Tech	-	308	-	308
Insurance	-	750	-	750
Legal & Professional	25,699	30,048	1,852	57,599
Miscellaneous	79	-	-	79
Events & Meeting	6,177	-	-	6,177
Donations	-	250	-	250
Office Supplies & Expense	686	1,827	-	2,513
Outside Professional Services	16,250	-	12,171	28,421
Payroll Fees	-	1,701	-	1,701
Printing, Copying & Mailing	1,575	902	-	2,477
Program Expenses	348,850	-	-	348,850
Registration, Dues, License & Fees	-	4,391	-	4,391
Occupancy	12,410	4,515	-	16,925
Depreciation Expense	-	37	-	37
Telephone	2,149	921	-	3,070
Parking	-	88	-	88
Travel	-	3,970	-	3,970
Total Expenses	\$ 602,559	\$ 123,578	\$ 19,519	\$ 745,656

The accompanying notes are an integral part of these statements

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Economic Justice Alliance of Michigan (EJAM) is a Michigan Nonprofit Corporation that was incorporated on August 6, 2015. EJAM is a long-term collaboration of community organizations aiming to build the power and impact of low-income and working-class communities across the state. Its primary source of funding is from public and private grants and contributions.

Tax Exempt Status

EJAM is exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activity for the year ended December 31, 2018. Therefore, there is no provision for federal or local income taxes in the accompanying financial statements.

New Accounting Pronouncement

EJAM adopted the Financial Accounting Standards Board Accounting Standards Update (FASB ASU 2016-14) *Presentation of Financial Statements of Not-For-Profit Entities* effective for year ended December 31, 2018. The update addresses the complexity and understandability of net asset classification deficiencies in information about liquidity and availability of resources. The presentation of these statements has been adjusted accordingly. The standards require the Corporation to report information regarding its financial position and activities according to the following two net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash Equivalents

For the purpose of the statement of cash flows, EJAM considers all unrestricted investment instruments purchased with original maturities of three months or less to be cash equivalent. As of December 31, 2018, EJAM did not hold any such cash equivalents.

1) **NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U. S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Corporation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are as follows:

- Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Corporation has the ability to access
- Level 2 – Financial assets and liabilities whose values are based on quoted prices in the markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

As of December 31, 2018, the Corporation did not have any financial assets or liabilities subject to being classified in any of the above categories.

**1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)****Concentration of Credit Risk**

EJAM maintains cash accounts with a credit union located in the metropolitan area of Detroit, Michigan. Accounts at the credit union are insured by the National Credit Union Shares Insurance Fund (NCUSIF) up to \$250,000. At December 31, 2018, EJAM had \$558,680 of uninsured cash balances.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of fixed assets is computed using the straight-line method over the useful life of the assets. Depreciation expense of \$37 was recorded for the year ended December 31, 2018.

Functional Expenses Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited as required by the new accounting pronouncement, FASB ASU 2016-14. Such allocations are determined by management on an equitable basis.

The functional expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel Expenses & Payroll Fees	Time & Effort
Fellowship Expenses	Time & Effort
Computer & Information Tech	Full Time Equivalent
Legal & Professional Services	Full Time Equivalent
Miscellaneous	Time & Effort
Events, Meeting & Travel	Time & Effort
Donations	Equivalent Benefit
Office Supplies & Expense	Equivalent Usage
Outside Professional Services	Full Time Equivalent
Grants	Time & Effort
Depreciation	Square Footage
Occupancy & Insurance	Square Footage
Printing, Copying & Mailing	Equivalent Usage
Telephone	Time & Effort

Although the methods of allocation used are considered appropriate, other methods of allocation could be used that would produce different amounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2) OPERATING LEASE

The Organization is operating under a signed one-year lease agreement for office space at its new location with the Hannan Center effective May 1, 2018 for \$1,200 per month.

3) AVAILABILITY AND LIQUIDITY

Financial Assets at Year End:	
Cash & Cash Equivalents	\$ 808,550
Less: Amounts not available to be used within 1 year:	
Net assets with donor restrictions	<u>720,919</u>
Amount Available to Meet General Expenses During the Next 12 Months	<u>\$ 87,631</u>

4) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2019, the date which the financial statements were available for issue.