

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

For the Year Ended December 31, 2019

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 Organization), which comprise the statement of financial position as of December 31, 2019 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, 2019, 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 Account
August 26, 2020

ECONOMIC JUSTICE ALLIANCE OF MICHIGAN

Statement of Financial Position Year Ended December 31, 2019

ASSETS

Current Assets:

Cash and Equivalents	\$ 829,385
Other Assets - Deposit	9,049
Total Current Assets	<u>838,434</u>

Fixed Assets

Property & Equipment	1,481
Accumulated Depreciation	(333)
Total Fixed Assets	<u>1,148</u>

Total Assets 839,582

LIABILITIES AND NET ASSETS

Liabilities:

Total Liabilities -

Net Assets:

Without Donor Restrictions	319,582
With Donor Restrictions	520,000
Total Net Assets	<u>839,582</u>

Total Liabilities and Net Assets \$ 839,582

The accompany notes are an integral part of these statements

ECONOMIC JUSTICE ALLIANCE OF MICHIGAN

Statement of Activities Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants	\$ 255,000	\$ 520,000	\$ 775,000
Other Revenue	2,015	-	2,015
Net Assets Released from Restrictions	720,919	(720,919)	-
Total Revenue and Support	<u>977,934</u>	<u>(200,919)</u>	<u>777,015</u>
Expenses:			
Program Services	577,358	-	577,358
Management and General	149,606	-	149,606
Fundraising	29,963	-	29,963
Total Expenses	<u>756,927</u>	<u>-</u>	<u>756,927</u>
Change in Net Assets	221,007	(200,919)	20,088
Net Assets - Beginning of Year	<u>98,575</u>	<u>720,919</u>	<u>819,494</u>
Net Assets - End of Year	<u>\$ 319,582</u>	<u>\$ 520,000</u>	<u>\$ 839,582</u>

The accompany notes are an integral part of these statements

ECONOMIC JUSTICE ALLIANCE OF MICHIGAN

Statement of Functional Expenses Year Ended December 31, 2019

Expenses	Program Services	Management & General	Fundraising	Total
Personnel Expenses:				
Employee Compensation	\$ 90,488	\$ 58,555	\$ 26,750	\$ 175,793
Employee Benefits	1,910	1,531	618	4,059
Payroll Taxes	8,021	6,451	2,595	17,067
Total Personnel Expenses	100,419	66,537	29,963	196,919
Other Expenses:				
Fellowship Expenses	105,157	-	-	105,157
Advertising & Marketing	750	-	-	750
Bank Fees	-	140	-	140
Computer & Information Tech	2,727	2,868	-	5,595
Insurance	6,181	7,331	-	13,512
Legal & Professional	-	5,200	-	5,200
Recruitment	-	75	-	75
Office Supplies & Expense	-	4,322	-	4,322
Outside Professional Services	26,500	20,227	-	46,727
Professional Dev	-	6,400	-	6,400
Payroll Fees	1,575	1,776	-	3,351
Printing, Copying & Mailing	-	47	-	47
Program Expenses	329,500	5,954	-	335,454
Registration, Dues, License & Fees	-	7,842	-	7,842
Occupancy	3,749	11,248	-	14,997
Depreciation Expense	-	296	-	296
Telephone	800	1,996	-	2,796
Travel & Lodging	-	7,347	-	7,347
Total Expenses	\$ 577,358	\$ 149,606	\$ 29,963	\$ 756,927

The accompany notes are an integral part of these statements

ECONOMIC JUSTICE ALLIANCE OF MICHIGAN

Statement of Cash Flows Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	<u>\$ 20,088</u>
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	296
(Increase) Decrease in Other Assets - Deposit	451
Net Cash Provided by (Used in) Operating Activities	<u>20,835</u>
Net Increase (Decrease) Cash and Equivalents	20,835
Cash and Equivalents, Beginning of Year	<u>808,550</u>
Cash and Equivalents, End of Year	<u><u>\$ 829,385</u></u>

The accompany notes are an integral part of these statements

1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

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.

Basis of Accounting and Reporting

The financial statements of EJAM have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

EJAM's financial statements follows the adoption of the Financial Accounting Standards Board Accounting Standards Update (FASB ASU 2016-14) *Presentation of Financial Statements of Not-For-Profit Entities*. EJAM has adjusted the presentation of these statements accordingly. The standards require EJAM 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 EJAM. These net assets may be used at the discretion of EJAM'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 EJAM, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

Use of 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 assets and 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.

Tax-Exempt Status

EJAM is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activity for the year ended December 31, 2019.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all unrestricted investment instruments purchased with maturities of three months or less to be cash equivalent.

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

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as personnel costs, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

Concentration of 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, 2019, EJAM had \$579,385 of uninsured cash balances.

Fair Value Measurements

EJAM uses fair value measurements in the preparation of its financial statements, which utilize various inputs, inputs including those that can be readily observable, corroborated, or are generally unobservable. EJAM utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, EJAM applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy, based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described 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 EJAM 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

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

As of December 31, 2019, EJAM did not have any financial assets or liabilities subject to being classified in any of the above categories.

2) FIXED ASSETS

It is the policy of EJAM to capitalize purchases of fixed assets in excess of \$1,000. Depreciation of fixed assets is computed using the straight-line method over the useful life of the assets. Depreciation expense of \$296 was recorded for the year ended December 31, 2019.

3) RETIREMENT 401(k) SAVINGS PLAN

EJAM participates in a multiple employer 401(k) Retirement Savings Plan (Plan) which is administered through its PEO, Human Resources Inc (HRI). The Plan operates under the Code as a tax-qualified employees' Plan as described in sections 401(a) and 501(a), and section 413(c) of the Code.

Any employee of EJAM is eligible to participant in the Plan upon completing the age and service requirement. Each employer in the Plan may contribute a discretionary matching amount on behalf of each participant. During the year ended December 31, 2019 EJAM made a discretionary 401(k) matching contribution of \$4,059. (See Subsequent Events.)

4) OPERATING LEASE

EJAM is operating under a month-to-month lease agreement for office space with the Hannan Center for \$1,200 per month.

5) AVAILABILITY AND LIQUIDITY

FASB ASU 2016-14 requires EJAM to present the following information regarding its financial assets at December 31, 2019.

Financial Assets at Year End:	
Cash & Cash Equivalents	\$ 829,385
Less: Net assets with donor restrictions	<u>520,000</u>
Amount Available to Meet General Expenses During the Next 12 Months	<u>\$ 309,385</u>

6) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 26, 2020, the date which the financial statements were available for issue.

- a) In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread to the U.S. and other countries. Subsequent to the date of the financial statements, the economy has been negatively affected. Management is carefully monitoring the issues that might affect EJAM and the future effect is still uncertain at this time.
- b) EJAM left the PEO arrangement with HRI effective December 31, 2019 and signed a new payroll contract with ADP which includes its own employee 401(k) savings plan.