

STRATEGIC ACTIONS FOR A JUST ECONOMY

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION
DECEMBER 31, 2009**

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Harrington Group
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J. Joseph Harrington
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Strategic Actions for a Just Economy

We have audited the accompanying Statement of Financial Position of Strategic Actions for a Just Economy (a nonprofit organization) as of December 31, 2009, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of Strategic Actions for a Just Economy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Strategic Actions for a Just Economy's December 31, 2008 financial statements, and in our reports dated May 21, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Strategic Actions for a Just Economy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strategic Actions for a Just Economy as of December 31, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2010 on our consideration of Strategic Actions for a Just Economy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

San Marino, California
April 23, 2010

STRATEGIC ACTIONS FOR A JUST ECONOMY

STATEMENT OF FINANCIAL POSITION
December 31, 2009
With comparative totals at December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	<u>(Restated) 2008</u>
Assets				
Cash	\$ 74,707	\$ 115,979	\$ 190,686	\$ 701,023
Accounts receivable	98,056		98,056	106,922
Pledges receivable (Note 3)		66,000	66,000	262,500
Prepaid expenses	17,566		17,566	7,407
Property and equipment (Note 4)	682,515		682,515	708,693
Total assets	<u>\$ 872,844</u>	<u>\$ 181,979</u>	<u>\$ 1,054,823</u>	<u>\$ 1,786,545</u>
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 1,243	\$ -	\$ 1,243	\$ 10,095
Accrued vacation	8,142		8,142	29,118
Due to Figueroa Corridor Land Trust			-	81,027
Note payable (Note 5)	479,976		479,976	473,235
Total liabilities	<u>489,361</u>	<u>-</u>	<u>489,361</u>	<u>593,475</u>
Net assets				
Unrestricted	383,483		383,483	580,674
Temporarily restricted (Note 7)		181,979	181,979	612,396
Total net assets	<u>383,483</u>	<u>181,979</u>	<u>565,462</u>	<u>1,193,070</u>
Total liabilities and net assets	<u>\$ 872,844</u>	<u>\$ 181,979</u>	<u>\$ 1,054,823</u>	<u>\$ 1,786,545</u>

The accompanying notes are an integral part of these financial statements.

STRATEGIC ACTIONS FOR A JUST ECONOMY

STATEMENT OF ACTIVITIES

For the year ended December 31, 2009

With comparative totals for the year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	<u>(Restated) 2008</u>
Revenue and support				
Contracts and grants (Note 8)	\$ 603,779	\$ 129,000	\$ 732,779	\$ 1,077,702
Fiscal agent income		54,891	54,891	556,038
Other income	25,756		25,756	43,570
Contributions	11,493		11,493	8,575
In-kind contributions (Note 2)	5,420		5,420	-
Special events			-	50,326
Net assets released from program restrictions	614,308	(614,308)	-	-
Total revenue and support	<u>1,260,756</u>	<u>(430,417)</u>	<u>830,339</u>	<u>1,736,211</u>
Expenses				
Program services	876,076		876,076	942,038
Support services	221,870		221,870	501,856
Total expenses	<u>1,097,946</u>	<u>-</u>	<u>1,097,946</u>	<u>1,443,894</u>
Change in net assets	162,810	(430,417)	(267,607)	292,317
Net assets, beginning of year (Note 10)	580,674	612,396	1,193,070	900,753
Transfer of assets to another 501(c)(3) corporation (Note 9)	<u>(360,001)</u>		<u>(360,001)</u>	-
Net assets, end of year	<u>\$ 383,483</u>	<u>\$ 181,979</u>	<u>\$ 565,462</u>	<u>\$ 1,193,070</u>

The accompanying notes are an integral part of these financial statements.

STRATEGIC ACTIONS FOR A JUST ECONOMY

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended December 31, 2009
 With comparative totals for the year ended December 31, 2008

	Program Services	Support Services		Total Expenses (Restated)	
		Management and General	Fundraising	2009	2008
Salaries	\$ 368,188	\$ 60,060	\$ 18,040	\$ 446,288	\$ 687,676
Employee benefits	34,079	11,744	3,528	49,351	72,292
Payroll taxes	34,687	5,658	1,700	42,045	58,198
Total personnel costs	436,954	77,462	23,268	537,684	818,166
Professional fees	131,506	32,256	28,855	192,617	33,922
Subcontractors	149,044			149,044	145,444
Interest	27,748	4,526	1,360	33,634	34,126
Depreciation	22,940	3,742	1,124	27,806	27,936
Dues and subscriptions	3,774	7,489	7,774	19,037	2,970
Repairs and office expense	10,920	5,014	1,505	17,439	20,247
Bad debt	16,087			16,087	-
Insurance	4,465	8,735	1,681	14,881	13,746
Fiscal agency expenses	12,915			12,915	168,853
Travel and entertainment	9,619	1,211	364	11,194	25,758
Utilities	6,601	3,213	965	10,779	11,788
Program expenses	10,354			10,354	65,184
Property taxes	7,052	1,151	346	8,549	391
Telephone and fax	3,750	2,902	872	7,524	9,672
Payroll processing expenses	4,992	814	245	6,051	2,197
Equipment rental	4,326	877	263	5,466	12,580
Database and internet	4,428			4,428	11,652
Miscellaneous	2,711	538	133	3,382	8,834
Postage and delivery	1,970	321	96	2,387	5,119
Printing and reproductions	249	1,221	367	1,837	2,519
Board and staff retreat	1,099	508	153	1,760	1,600
Mileage and parking	1,342			1,342	1,125
Conferences and staff training	995	153	46	1,194	4,754
Bank service charges	132	22	276	430	2,082
Licenses and permits	103	17	5	125	253
Fundraising expenses				-	12,976
Total 2009 functional expenses	\$ 876,076	\$ 152,172	\$ 69,698	\$ 1,097,946	
Total 2008 functional expenses	\$ 942,038	\$ 331,901	\$ 169,955		\$ 1,443,894

The accompanying notes are an integral part of these financial statements.

STRATEGIC ACTIONS FOR A JUST ECONOMY

STATEMENT OF CASH FLOWS
For the year ended December 31, 2009
With comparative totals for the year ended December 31, 2008

	2009	(Restated) 2008
Cash flows from operating activities:		
Change in net assets	\$ (267,607)	\$ 292,317
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Transfer of assets to another 501(c)(3) corporation	(360,001)	-
Depreciation	27,806	27,936
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	8,866	(60,668)
(Increase) decrease in pledges receivable	196,500	(117,500)
(Increase) in prepaid expenses	(10,159)	(769)
(Decrease) in accounts payable	(8,852)	(6,096)
Increase (decrease) in accrued vacation	(20,976)	5,520
Increase (decrease) in due to Figueroa Corridor Land Trust	(81,027)	81,027
	(515,450)	221,767
Cash flows from investing activities:		
Purchase of property and equipment	(1,628)	(2,720)
	(1,628)	(2,720)
Cash flows from financing activities:		
New borrowings on notes payable	23,772	-
Principal payments on notes payable	(17,031)	(22,766)
	6,741	(22,766)
Net increase (decrease) in cash	(510,337)	196,281
Cash, beginning of year	701,023	504,742
Cash, end of year	\$ 190,686	\$ 701,023
Supplemental disclosure:		
Operating activities reflect interest paid of:	\$ 33,634	\$ 34,126
Non-cash financing activities:		
Refinancing mortgage	\$ 461,228	\$ -

The accompanying notes are an integral part of these financial statements.

STRATEGIC ACTIONS FOR A JUST ECONOMY

NOTES TO FINANCIAL STATEMENTS

1. Organization

Strategic Actions for a Just Economy (“SAJE”) is an economic justice organization that has been building economic power for working class people in Los Angeles for the past twelve years. Their accomplishments include creating the nation’s first welfare-to-work bank account, leading the campaign for the most comprehensive community benefits agreement in the country, and organizing an important and autonomous model for democratic development -- the Figueroa Corridor Community Land Trust (“the Figueroa Corridor”).

Since 2001, SAJE has focused its attention on the eleven square mile complex of communities that comprise the Figueroa Corridor. Home to 200,000 working class people, these neighborhoods have been hit with a tidal wave of real estate speculation and gentrification that has caused unprecedented displacement of historic communities of color.

The problems in the Figueroa Corridor are emblematic of those of Los Angeles, which now has the dubious distinction of the nation’s “most unequal city.” But what distinguishes the Figueroa Corridor is that both the rich and poor poles of that inequality are currently present. In the Figueroa Corridor, billionaires and working class people are currently fighting over contested terrain. For this reason, SAJE’s fight against displacement and for community driven development resonates throughout the region.

Under an umbrella of “urban land reform,” SAJE’s long-term goals are guided by a vision that all people have a right to the city and include:

- Expanding tenants’ rights
- Criminalizing slumlords
- Reforming redevelopment
- Increasing people’s control over land
- Providing good jobs and income for local residents

To accomplish these goals, SAJE has four main program areas:

Tenant Organizing: SAJE works to expand and enforce tenants’ rights and build strong leaderships, which in turn, creates winning campaigns. The team is currently targeting Los Angeles’ largest slumlord (over 270 buildings) in an unprecedented grassroots corporate campaign.

Action Research: SAJE conducts investigations and develops participatory processes that inform campaigns in order to build strong and effective strategies. The team has also initiated a “People’s Planning School” that is preparing hundreds of people to participate in reshaping land use laws in Los Angeles.

United Neighbors In Defense Against Displacement (“UNIDAD”): This community-driven campaign is presently taking on one of Los Angeles’ most unscrupulous developers as it also continues a long term fight to ensure that the expansion of the University of Southern California improves rather than replaces our neighborhoods.

continued

STRATEGIC ACTIONS FOR A JUST ECONOMY

NOTES TO FINANCIAL STATEMENTS

1. **Organization, continued**

Figueroa Corridor Community Jobs Program: SAJE connects local residents to the jobs produced by the Staples agreement and other employers, conducts job training and case management services, increasing peoples' capacity and income as we go.

SAJE also works in coalition and collaboration with many other organizations and is a proud founding member of the national *Right to the City Alliance*.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of SAJE are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Temporarily Restricted. SAJE reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit SAJE to expend all of the income (or other economic benefits) derived from the donated assets. SAJE had no permanently restricted net assets at December 31, 2009.

continued

STRATEGIC ACTIONS FOR A JUST ECONOMY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs - quoted prices in active markets for identical assets
- Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
- Level 3 inputs - estimates using the best information available when there is little or no market

The specific techniques used to measure fair value for financial statement elements are described in the notes below that relate to each element.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Concentration of Credit Risks

SAJE places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. SAJE has not incurred losses related to these investments.

The primary accounts receivable balance outstanding at December 31, 2009 consists of contract receivables due from other nonprofit organizations. Concentration of credit risks with respect to these contract receivables are limited, as the majority of SAJE's receivables consist of earned fees from contract programs granted by other nonprofit organizations.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

continued

STRATEGIC ACTIONS FOR A JUST ECONOMY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The fair value of contributed services, facilities, and supplies has been measured on a nonrecurring basis using quoted prices for similar assets in inactive markets. For the year ended December 31, 2009, SAJE recorded total contributions of \$5,420 for donated services.

Income Taxes

SAJE is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by SAJE in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. SAJE's returns for years ended December 31, 2006, 2007, and 2008, are subject to examination by federal and state taxing authorities, generally for three years after they filed.

Functional Allocation of Expenses

Costs of providing SAJE's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. SAJE uses salary dollars to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SAJE's financial statements for the year ended December 31, 2008 from which the summarized information was derived.

continued

STRATEGIC ACTIONS FOR A JUST ECONOMY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Reclassifications

Certain amounts from the December 31, 2008 financial statements have been reclassified to conform to the December 31, 2009 presentation.

Subsequent Events

Management has evaluated subsequent events through April 23, 2010, the date which the financial statements were available.

3. Pledges Receivable

Unconditional promises to give (pledges receivable) are recorded as support when pledged unless designated otherwise. Pledges receivable that are expected to be collected in future years are measured on a nonrecurring basis at the date of the pledge and recorded at the present value of their estimates future cash flows. All pledges are valued at estimated fair value at December 31, 2009 and are deemed fully collectible. Accordingly, no allowance for uncollected pledges has been recorded as of December 31, 2009. Total amount of pledges receivable at December 31, 2009, of \$66,000, is expected to be collected as follows:

Within one year	\$33,000
One to two years	<u>33,000</u>
	<u>\$66,000</u>

No discount on pledges receivable was recorded on the noncurrent pledges as the amount was not deemed material to the financial statements.

4. Property and Equipment

Property and equipment at December 31, 2009 consist of the following:

Land	\$ 155,040
Buildings	394,960
Building improvements	257,538
Equipment	<u>78,794</u>
	886,332
Less: accumulated depreciation	<u>(203,817)</u>
	<u>\$ 682,515</u>

continued

STRATEGIC ACTIONS FOR A JUST ECONOMY

NOTES TO FINANCIAL STATEMENTS

5. Note Payable

At December 31, 2009, SAJE has a note payable to a bank, in the amount of \$479,976, secured by real property, monthly payments of \$3,247, including interest at 6.25%, due June 2014.

Maturities for note payable are as follows:

<u>Year ended December 31,</u>	
2010	\$ 8,692
2011	9,259
2012	9,778
2013	10,501
2014	<u>441,746</u>
	<u>\$479,976</u>

6. Commitments and Contingencies

Contracts

SAJE's grants and contracts are subject to inspection and audit by the appropriate funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these audits cannot be reasonably estimated and, accordingly, SAJE has no provisions for the possible disallowance of program costs on its financial statements.

Litigation

SAJE is a defendant in a lawsuit. Management intends to defend the agency vigorously in this matter. It is not possible at this time to predict the probable outcome or the extent of SAJE's liability, if any.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 consist of the following:

California Wellness Foundation	\$ 83,000
Figuroa Corridor community jobs	66,000
People's planning lab	23,554
Fiscal agency income	<u>9,425</u>
	<u>\$181,979</u>

continued

STRATEGIC ACTIONS FOR A JUST ECONOMY

NOTES TO FINANCIAL STATEMENTS

8. Contracts and Grants

Contracts and grants for the year ended December 31, 2009 have been received to fund the following:

Organizing	\$495,780
Community development	135,812
General operations	41,187
Transition	<u>60,000</u>
	<u>\$732,779</u>

9. Transfer of Assets to Another 501(c)(3) Corporation

During the fiscal year ended December 31, 2009, SAJE terminated its fiscal agency relationship with Right to the City ("RTTC") since RTTC was granted status as its own 501(c)(3) corporation and began to operate as a separate corporation. As a result, SAJE recorded an accounting transfer of all assets and liabilities related to RTTC as of December 31, 2009. The net accounting transfer recorded from SAJE to RTTC was \$360,001.

10. Prior Period Adjustments

Net assets at January 1, 2009 have been restated to adjust prior year contract and grant revenues. Had these revenues been properly recorded, accounts receivable would have increased by \$17,500. The comparative totals for December 31, 2008 presented in these financial statements have been restated to reflect the corrected balances as follows:

	As previously Reported	As Adjusted	As Restated
<u>Statement of Financial Position:</u>			
Accounts receivable	\$ 89,422	\$17,500	\$ 106,922
Total net assets	1,175,570	17,500	1,193,070

Statement of Activities and Stmt of Functional Expenses:

Contracts and grants	\$914,758	\$162,944	1,077,702
Subcontractors	-	145,444	145,444
Change in total net assets	274,817	17,500	292,317

The net effect of these adjustments would have increased the change in net assets at January 1, 2009 by \$17,500.

ADDITIONAL INFORMATION



Harrington Group
CERTIFIED PUBLIC ACCOUNTANTS, LLP

J. Joseph Harrington
Emeritus

Job M. Quesada
Sean E. Cain
Tonetta L. Conner

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

**To the Board of Directors
Strategic Actions for a Just Economy**

We have audited the financial statements of Strategic Actions for a Just Economy ("SAJE") as of and for the year ended December 31, 2009, and have issued our report thereon dated April 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting. In planning and performing our audit, we considered SAJE's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAJE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SAJE's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of SAJE's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters. As part of obtaining reasonable assurance about whether SAJE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of SAJE in a separate letter dated April 23, 2010.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.


San Marino, California
April 23, 2010