

**SOJOURNERS**

**Audited Financial Statements**

**June 30, 2003 and 2002**

# SOJOURNERS

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## Independent Auditor's Report

To the Board of Directors  
Sojourners  
Washington, D.C., U.S.A.

We have audited the accompanying statements of financial position of Sojourners as of June 30, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Sojourners at June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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December 16, 2003

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**SOJOURNERS**  
**Statements of Financial Position**

**ASSETS**

	June 30,	
	2003	2002
<b>Current assets:</b>		
Cash and cash equivalents	\$ (8,832)	\$ 50,455
Accounts receivable	63,555	35,126
Prepaid expenses	15,200	18,256
Inventory	-	27,228
Total current assets	69,923	131,065
<b>Property and equipment:</b>		
Land	30,000	30,000
Furniture and fixtures	15,564	13,734
Building	94,940	94,940
Equipment	184,358	174,983
	324,862	313,657
Less accumulated depreciation	(171,296)	(143,815)
Total property and equipment	153,566	169,842
<b>Marketable securities, pledged</b>	532,566	212,989
Total assets	\$ 756,055	\$ 513,896

**LIABILITIES AND NET ASSETS (DEFICIENCY IN NET ASSETS)**

<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 98,434	\$ 164,220
Accrued leave	54,296	70,421
Deferred subscription income	339,899	327,311
Annuity obligation, current portion	3,506	3,244
Notes payable, current portion	39,797	15,058
Total current liabilities	535,932	580,254
<b>Long-term liabilities:</b>		
Annuity obligation, net of current portion	145,240	148,746
Notes payable, net of current portion	132,207	160,050
Total long-term liabilities	277,447	308,796
Total liabilities	813,379	889,050
<b>Commitments</b>		
<b>Net assets (deficiency in net assets):</b>		
Unrestricted	(157,324)	(437,654)
Temporarily restricted	100,000	62,500
	(57,324)	(375,154)
Total liabilities and net assets	\$ 756,055	\$ 513,896

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

**SOJOURNERS**  
**Statements of Activities**

For the Year Ended June 30,

	2003			2002		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue:</b>						
Contributions and grants	\$ 969,195	\$ -	\$ 969,195	\$ 965,375	\$ 62,500	\$ 1,027,875
Contributions - Sojourners Neighborhood Center	429,319	100,000	529,319	388,563	-	388,563
Member dues and subscriptions	381,466	-	381,466	34,094	-	34,094
Honoraria	14,884	-	14,884	77,108	-	77,108
Advertising	102,205	-	102,205	41,031	-	41,031
SojoFest	-	-	-	68,087	-	68,087
Resource Center sales	67,372	-	67,372	16,284	-	16,284
List rental	13,555	-	13,555	(16,719)	-	(16,719)
Investment income	(4,425)	-	(4,425)	24,283	-	24,283
Miscellaneous	32,855	-	32,855	-	-	-
Released from restrictions	62,500	(62,500)	-	-	-	-
Total revenue	2,068,926	37,500	2,106,426	1,598,106	62,500	1,660,606
<b>Expenses:</b>						
<b>Program services:</b>						
Magazine production	964,709	-	964,709	884,104	-	884,104
SojoFest	-	-	-	78,383	-	78,383
SojoNet	108,750	-	108,750	125,357	-	125,357
Outreach	206,468	-	206,468	146,313	-	146,313
Resource Center	87,608	-	87,608	97,407	-	97,407
Total program expenses	1,367,535	-	1,367,535	1,331,564	-	1,331,564
<b>Supporting services:</b>						
General and administration	73,472	-	73,472	48,620	-	48,620
Membership promotion costs	46,436	-	46,436	165,730	-	165,730
Fundraising	301,153	-	301,153	196,475	-	196,475
Total supporting expenses	421,061	-	421,061	410,825	-	410,825
Total expenses	1,788,596	-	1,788,596	1,742,389	-	1,742,389
<b>Change in net assets</b>	280,330	37,500	317,830	(144,283)	62,500	(81,783)
<b>Net assets (deficiency in net assets), as previously stated</b>						
				(43,181)		(43,181)
<b>Prior period adjustments - Note H</b>				(250,190)		(250,190)
<b>Net assets (deficiency in net assets), beginning of year, as restated</b>	(437,654)	62,500	(375,154)	(293,371)		(293,371)
<b>Net assets (deficiency in net assets), end of year</b>	\$ (157,324)	\$ 100,000	\$ (57,324)	\$ (437,654)	\$ 62,500	\$ (375,154)

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

**SOJOURNERS**  
**Statements of Cash Flows**

	For the Year Ended June 30,	
	2003	2002
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 317,830	\$ (81,783)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	27,481	30,122
Net realized/unrealized loss on investments	8,883	26,481
Changes in assets and liabilities:		
Accounts receivable	(28,429)	(9,308)
Prepaid expenses	3,056	12,042
Inventory	27,228	8,750
Other assets	-	12,513
Accounts payable and accrued expenses	(81,911)	17,097
Deferred subscription income	12,588	(40,992)
Net cash provided by (used in) operating activities	286,726	(25,078)
<b>Cash flows from investing activities:</b>		
Purchase of furniture and equipment	(11,205)	(11,211)
Purchase/sales of investments - net	(328,460)	(6,026)
Net cash used in investing activities	(339,665)	(17,237)
<b>Cash flows from financing activities:</b>		
Proceeds from issuing notes payable	-	50,000
Payments on annuity obligation	(3,244)	(3,001)
Principal payments on notes payable	(3,104)	(1,514)
Net cash provided by (used in) financing activities	(6,348)	45,485
<b>(Decrease) increase in cash and cash equivalents</b>	(59,287)	3,170
<b>Cash and cash equivalents, beginning of year</b>	50,455	47,285
<b>Cash and cash equivalents, end of year</b>	\$ (8,832)	\$ 50,455
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid during the year	\$ 11,813	\$ 13,265

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

**SOJOURNERS**  
**Notes to the Financial Statements**

**Note A - Organization**

The mission of Sojourners (the Organization) is to help people make the vital biblical connection between spiritual renewal and social justice. Sojourners works to connect people across denominational, theological, racial, class, and cultural lines with a goal of building community, renewing the church, and inspiring action. Sojourners fulfills its mission and brings people together through the Sojourners magazine, grassroots organizing and public witness, the production of educational resources, and preaching and public speaking.

**Note B - Summary of Significant Accounting Policies**

***Basis of Accounting***

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

***Income Tax Status***

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income is generated from advertising revenue. For the years ended June 30, 2003 and 2002 there was no unrelated business income tax liability.

***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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

For financial statement purposes, the Organization considers money market funds, not part of their investments, to be cash equivalents.

**SOJOURNERS**  
**Notes to the Financial Statements - Continued**

**Note B - Summary of Significant Accounting Policies - Continued**

***Deferred Revenue***

Membership subscriptions and conference revenue are deferred and recognized as revenue in the year in which they are earned.

***Property and Equipment***

Fixed assets are recorded at cost and depreciated using the straight-line method over the useful lives of the assets (5 to 40 years). All acquisitions of property and equipment are capitalized with a cost greater or equal to \$500 and a useful life of greater than one year.

***Inventory***

Inventory consists of books, magazines, reprints and other materials held for sale and is reflected at the lower of cost or market using the first-in, first-out method. Effective July 1, 2002, books, magazines, reprints and other materials held for sale are being expensed at the time of purchase.

***Recognition of Donor Restricted Support***

The Organization reports restricted support as unrestricted if the donor stipulations and restrictions are met in the year of the donation.

***Allocation of Expenses***

The expenses of the Organization's various programs and activities have been summarized on a functional basis in the statements of activities. General and administrative costs have been allocated to each program service and supporting service activity based on estimates of resources benefiting each functional area.

**Note C - Investments**

Investments are recorded at their fair market value and include money market funds, fixed income, equity and mutual fund investments. A portion of the investments were received by the Organization as the beneficiary of three charitable gift annuities. The Organization must meet its obligations related to these gift annuities, see Note D.

**SOJOURNERS**  
**Notes to the Financial Statements - Continued**

**Note C - Investments - Continued**

Investments are comprised of the following at June 30:

	<u>2003</u>	<u>2002</u>
Money market funds	\$ 127,517	\$ 6,677
Bond/fixed income	75,000	38,293
Equities	27,195	168,019
Mutual funds	302,854	-
	<u>\$ 532,566</u>	<u>\$ 212,989</u>

Investment income, including interest from the operating account, consists of the following for the year ended June 30:

	<u>2003</u>	<u>2002</u>
Interest/dividends	\$ 4,458	\$ 9,762
Realized/unrealized gains (losses)	(8,883)	(26,481)
	<u>\$ (4,425)</u>	<u>\$ (16,719)</u>

**Note D - Annuity Obligations**

The Organization is the beneficiary of three charitable gift annuities. Under the terms of the agreements, the Organization has the responsibility for making quarterly payments over the donors' lifetimes of \$3,805. Estimated future annuity obligations, reflected at a discounted value on the statements of financial position to the donors, are \$148,746 and \$151,990 as of June 30, 2003 and 2002, respectively. The discount rate used was 7.9% to 9.4%. Upon the death of the donors, the agreements will be dissolved and the remaining assets will be retained by the Organization.

**Note E - Notes Payable**

The balance consists of a note payable to Adams Bank and a note payable to an individual. The Adams Bank note originated on October 27, 2000 and carries an interest rate of 10 percent per annum. Monthly installments of \$1,247 are payable with a final balloon payment due on October 27, 2005 in the amount of \$114,293. The maturity date may be extended for one additional period of five years. The note is collateralized by a building and substantially all of Sojourners assets. The additional note payable was acquired on December 14, 2001 and required quarterly interest payments at an annual rate of 2.5% through December 31, 2002. After December 31, 2002, quarterly principal payments of \$6,250 are due along with the accrued interest. The final payment is due on December 31, 2004.

**SOJOURNERS**  
**Notes to the Financial Statements - Continued**

**Note E - Notes Payable - Continued**

Future payments required on the notes payable for the years ending June 30 are as follows:

2004	\$ 39,797
2005	15,640
2006	<u>116,567</u>
	<u>\$ 172,004</u>

**Note F - Office Lease**

The Organization has a non-cancelable operating lease for office space that expires on December 31, 2004. Future minimum lease payments required under the lease amount to \$81,057 for the fiscal years ended June 30, 2004 and 2005. Rent expense for the years ended June 30, 2003 and 2002 was \$107,774 and \$91,445, respectively.

**Note G - Going Concern**

The Organization has incurred a significant amount of net losses during the past few years. This has led to the negative net asset balance amounting to \$57,324 and \$375,154 at June 30, 2003 and 2002, respectively. The Organization has adopted a strategy to generate additional sources of revenue and to reduce expenses. This resulted in an increase in net assets of \$317,830 for the year ended June 30, 2003. In addition, subsequent to June 30, 2003, the Organization received a \$500,000 grant to support the 2004 Messaging and Mobilization Project. However, the Organization will need to continue to monitor its financial situation for viability and growth.

**Note H - Prior Period Adjustments**

During the year ended June 30, 2002, management discovered that various assets and liabilities were not properly recorded as of June 30, 2001. Accordingly, net assets as of July 1, 2001 were restated to reflect the effect of the misstatements. The following is a summary of the adjustments made to beginning net assets:

Net assets (deficit), July 1, 2001, as previous stated		\$ (43,181)
Unrecorded accounts receivable	\$ 8,481	
Unrecorded prepaid expenses	19,298	
Unrecorded deferred revenue	(196,258)	
Unrecorded accrued leave	(70,421)	
Unrecorded annuity obligations	<u>(11,290)</u>	<u>(250,190)</u>
Net assets (deficit), July 1, 2001, as restated		<u>\$ (293,371)</u>