

A.J. MUSTE MEMORIAL INSTITUTE, INC

FINANCIAL REPORT

JUNE 30, 2012 AND 2011

A.J. MUSTE MEMORIAL INSTITUTE, INC

FOR THE YEARS ENDED

JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
A.J. Muste Memorial Institute, Inc.
339 Lafayette Street
New York, NY 10012

We have audited the accompanying statement of financial position of A.J. Muste Memorial Institute, Inc. as of June 30, 2012 and 2011 and the related statements of activities, cash flows and functional expenses 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 A.J. Muste Memorial Institute, Inc. as of June 30, 2012 and 2011 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

New York, New York
May 15, 2013



Ross Wisdom CPA, PLLC
Certified Public Accountant

A. J. MUSTE MEMORIAL INSTITUTE, INC.
 STATEMENT OF FINANCIAL POSITION
 AS OF JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
Current assets		
Cash (note 3)	\$330,424	\$11,518
Investments - (note 5)	511,764	410,583
Literature inventory (note 4)	32,729	33,537
Rents receivable	19,146	27,525
Prepaid expenses	26,490	43,455
Total current assets	920,553	526,618
 Property and equipment		
Land	55,000	55,000
Building	37,736	37,736
Building improvements	219,365	219,365
Furniture and equipment	12,789	12,789
Library	3,629	3,629
Less: Depreciation and amortization	(144,786)	(138,443)
Total property & equipment (net)	183,733	190,076
TOTAL ASSETS	\$1,104,286	\$716,694

LIABILITIES & NET ASSETS

	2012	2011
Current liabilities		
Accounts payable and accrued expenses	\$3,491	\$15,436
 Other liabilities		
Tenants security deposits	22,194	13,225
Loan payable (note 6)		35,000
Total liabilities	25,685	63,661
 Net assets		
Unrestricted net assets	563,236	188,074
Unrestricted board designated funds (note 7)	368,366	406,644
Temporarily restricted net assets - Endowment Fund (note 7)	146,999	58,315
Total net assets	1,078,601	653,033
TOTAL LIABILITIES AND NET ASSETS	\$1,104,286	\$716,694

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

A. J. MUSTE MEMORIAL INSTITUTE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Support and Revenue		
Unrestricted revenue and support		
Grants and contributions	\$1,339,119	\$1,145,577
Rental income - (building)	240,001	161,313
Literature income (net)	436	40
Interest, dividend and capital gains income		4,055
Net unrealized gains		25,758
Other income	10,779	
Net assets released from restrictions	121,895	79,157
	1,712,230	1,415,900
 Expenses		
Program services	1,067,467	1,192,702
Management and general	60,538	65,190
Fundraising	28,678	33,520
Net realized losses	30	12,713
Net unrealized losses	17,189	
Building rental expenses	163,166	172,823
	1,337,068	1,476,948
Increase (decrease) in unrestricted net assets	375,162	(61,048)
 Temporarily restricted net assets		
Grants and contributions	136,829	73,775
Investment income	35,472	44,964
Net assets released from restrictions	(121,895)	(79,157)
Increase (decrease) in temporarily restricted net assets	50,406	39,582
Net assets at the beginning of year	653,033	674,499
 NET ASSETS AT THE END OF THE YEAR	\$1,078,601	\$653,033

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

A. J. MUSTE MEMORIAL INSTITUTE, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2012

	Total	Program Services	Management and General	Fund- Raising
Grants	\$979,956	\$979,956		
Officer's compensation	77,004	38,365	\$22,908	\$15,731
Other salaries and wages	9,159	2,544	4,071	2,544
Pension plan contributions (note 8)	5,775	2,877	1,718	1,180
Employee benefits	15,426	8,175	4,263	2,988
Payroll taxes	6,790	3,224	2,126	1,440
Accounting fees	7,400		7,400	
Amortization	159	119	40	
Conferences and meetings	476		476	
Depreciation	1,427	1,070	357	
Insurance	5,072	743	4,010	319
Internet service	919	460	459	
Legal fees	694		694	
Miscellaneous and bank charges	433		433	
Occupancy	28,794	21,595	7,199	
Office supplies and expense	781	18	691	72
Outside services	1,290		1,290	
Payroll service fees	819	389	256	174
Postage	3,217	942	199	2,076
Printing and publications	6,946	5,086	74	1,786
Professional fees	2,049	735	1,314	
Telephone	2,097	1,169	560	368
TOTAL EXPENSES	\$1,156,683	\$1,067,467	\$60,538	\$28,678

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

A. J. MUSTE MEMORIAL INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Total	Program Services	Management and General	Fund- Raising
Grants	\$1,088,665	\$1,088,665		
Officer's compensation	73,899	36,364	\$22,286	\$15,249
Other salaries and wages	20,085	5,579	8,927	5,579
Pension plan contributions (note 8)	6,893	3,392	2,079	1,422
Employee benefits	12,519	7,640	2,789	2,090
Payroll taxes	10,033	4,410	3,377	2,246
Accounting fees	6,600		6,600	
Amortization	60	45	15	
Conferences and meetings	50		50	
Depreciation	1,427	1,070	357	
Dues and subscriptions	50	31	12	7
Insurance	3,815	35	3,764	16
Internet service	751	375	376	
Legal fees	7,490	5,900	1,590	
Licenses and permits	125		125	
Miscellaneous and bank charges	3,107	1,285	1,822	
Occupancy	30,499	22,874	7,625	
Office supplies and expense	1,338	32	1,184	122
Outside services	850		850	
Payroll service fees	1,347	592	453	302
Postage	2,703	792	167	1,744
Printing and publications	17,012	12,454	182	4,376
Telephone	2,094	1,167	560	367
TOTAL EXPENSES	\$1,291,412	\$1,192,702	\$65,190	\$33,520

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

A. J. MUSTE MEMORIAL INSTITUTE, INC.
SCHEDULE OF BUILDING RENTAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Amortization	\$476	\$183
Bid assessments	1,542	1,470
Depreciation	4,281	4,281
Electricity	16,810	13,502
Employee benefits	6,921	3,144
Fines and penalties	2,000	50
Fuel	6,526	20,738
Insurance	14,485	14,327
Legal and professional fees	3,500	9,170
Maintenance and repairs	28,793	31,568
Office supplies and expense	1,861	20
Officer's compensation	8,556	8,211
Other salaries and wages	14,515	20,314
Payroll service fees	219	452
Payroll taxes	1,818	3,366
Pension plan contributions (note 8)	2,183	2,647
Permits and fees	2,020	645
Postage and delivery	58	48
Printing and copying	23	57
Property taxes	57,866	59,000
Refuse Removal	4,452	3,960
Telephone	279	279
Water and sewer	12,776	5,889
Total building expenses	191,960	203,321
Less: allocation of building expenses to institute for occupancy (15%)	(28,794)	(30,498)
NET BUILDING EXPENSES	\$163,166	\$172,823

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

A. J. MUSTE MEMORIAL INSTITUTE, INC.
 STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Increase (decrease) in net assets	\$425,568	\$(21,466)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,343	5,708
(Increase) decrease in assets		
Literature inventory	808	(4,488)
Receivables	8,379	(3,709)
Prepaid expenses	16,965	(12,892)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(2,970)	(35,094)
Net cash provided (used) by operating activities	455,093	(71,941)
 Cash flows from investing activities		
Increase in investment assets		
Acquisition of Short-term investments	(101,699)	(38,838)
Sales of Short-term investments	512	25,275
Fixed assets acquisition		(20,000)
Net cash provided (used) by investing activities	(101,187)	(33,563)
 Cash flows from financing activities		
Loan repayment	(35,000)	
Net cash provided (used) by financing activities	(35,000)	0
 Net increase (decrease) in cash and cash equivalents	318,906	(105,504)
 Beginning cash & cash equivalents	11,518	117,022
 Ending cash & cash equivalents	\$330,424	\$11,518

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

A.J. MUSTE MEMORIAL INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

NOTE 1 - ORGANIZATION AND DESCRIPTION OF OPERATIONS

A.J. Muste Memorial Institute, Inc was incorporated as a not-for-profit corporation under New York State law to provide nonviolence advocacy and education by giving financial aid to organizations which provide educational materials and organize workshops in non-violence dealing with disarmament, human rights and related issues.

Organization and Tax Status: A.J. Muste Memorial Institute, Inc was incorporated under the Not-For-Profit Corporation Law of New York State and was formed solely for charitable and educational purposes within the meaning of Section 501 C (3) of the Internal Revenue Code of 1954.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements Presentation

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles accepted in the United States of America. They are presented in accordance with the provisions of Accounting Standards Codification 958, "Financial Statements of Not-For-Profit Organization". Under the provisions of Codification 958, net assets, revenues, expenses, gains & losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions, but may be designated for specific purposes by the action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

Temporarily Restricted Net Assets - Net assets subject to donor imposed restrictions that may be fulfilled either by actions of the Organization pursuant to those stipulations and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that the Organization maintains. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

A.J. MUSTE MEMORIAL INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporarily restrictions of net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassification between the applicable classes of net assets.

Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with maturities of less than ninety days.

Revenue Recognition

A Contribution is recognized when the donor makes a promise to give that is, in substance, unconditional. Grant revenue is recognized as earned, expenses as incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. In accordance with the provision of Accounting Standards Codification 9598-608 Accounting for Contributions Received and Contributions Made", contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contribution are recognized.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets, depending on the nature of the restriction are classified to unrestricted net assets.

Donated Facilities and Services

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Donated services are recognized as contributions in accordance with the provision of Accounting Standards Codification 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year June 30, 2012 donated services were not recorded.

A.J. MUSTE MEMORIAL INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fund raising, management and general expense or the appropriate program based on evaluations of the related benefits and actual hours. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 those estimates.

Grant Awards

Federal, state and other grant awards received for specific purpose are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions. The unexpended funds are reported as advances from grantors or contract advances.

Income Taxes

The Organization is exempt from federal and state taxes under 501 (c) (3) of the Internal Revenue Code, and the not-for-profit corporation laws of New York State, and is considered by the Internal Revenue Service to be an Organization other than a private foundation. The Organization adopted the Financial Standards Codification 740, *Accounting for Uncertainty in Income Taxes*. The standard addresses the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of "more likely than not" for recognition and nonrecognition of tax positions taken or expected to be taken in the tax returns.

A.J. MUSTE MEMORIAL INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

Financial Standards Codification 740 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to the Organization's financial statements as a result of the adoption of Financial Standards Codification 740. The past three years remain open for examination by tax authorities (form 990).

Property and Equipment

Purchases of property & equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the expected useful lives of the assets.

Fair Value of Financial Instruments

The Organization has adopted Accounting Standards Codification 825, the fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of Accounting Standards Codification 320. A provision of Codification 825 permits an entity to measure financial instruments and certain other items at estimated fair value. Most of the provisions of Codification 825 are elective; however, the amendment to Accounting Standards Codification 320, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities that own trading and available-for-sale securities. The fair value option created by Accounting Standards Codification 825 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not only a portion of the instrument. The Adoption of the Accounting Standards Codification 825 did not have a significant impact on the Organization's results of operations and financial condition.

The Organization's financial instruments consist principally of cash and cash equivalents, prepaid expenses, receivables, investments, other assets, accounts payable, and accrued expenses. The Organization believes all of the financial instruments' recorded values approximate fair value.

A.J. MUSTE MEMORIAL INSTITUTE, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

Recent Accounting Pronouncements - In August 2008, FASB issued Accounting Standards Codification 958, Endowments for Not-for-Profit Foundation: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds. Accounting Standards Codification 958 responds to accounting questions raised by the model Uniform Prudent Management of Institutional Funds Act (UPMIFA) that was approved by the Uniform Law Commission to modernize the Uniform Management of Institutional Funds Act of 1972 (UMIFA) for governing the investment and management of donor-restricted endowment funds by not-for-profit Foundation. Among UPMIFA's more significant changes is the elimination of UMIFA's concept of historic dollar threshold, the amount below which a Foundation could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The provisions of Accounting Standards Codification 958 expand disclosures about the Foundation's endowment funds (both donor-restricted and board-designated). In addition, Accounting Standards Codification 958 requires that the portion of a donor-restricted endowment fund that is not classified as permanently restricted net asset be classified as temporarily restricted net assets until appropriated for expenditure. The Foundation has adopted the provisions under Accounting Standards Codification 958.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are considered to be all highly liquid debt instruments with a maturity date of 90 days or less from the date of purchase. As June 30, 2012 and 2011, these accounts consist primarily of cash in bank as follows:

	<u>2012</u>	<u>2011</u>
Amalgamated Bank	\$ 305,862	\$ (11,418)
Maxim Group	24,312	22,936
Pax World Fund	250	0
Total cash	<u>330,424</u>	<u>\$ 11,518</u>

NOTE 4 - LITERATURE INVENTORY

Inventory is stated at the lower of cost or market determined by the first-in, first-out method. The ending balance at June 30, 2012 and 2011 is \$32,729 and \$33,537 respectively.

A.J. MUSTE MEMORIAL INSTITUTE, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

NOTE 5 - INVESTMENTS

Investments in marketable securities are presented in the financial statements at fair market value in accordance with SFAS 124. At June 30, 2012 and 2011 the aggregate fair market value was as follows:

	<u>2012</u>	<u>2011</u>
Maxim Group - Stocks	\$ 63,332	\$ 58,800
Maxim Group - Mutual Funds	4,488	4,736
Parnassus Investments	1,435	1,357
Pax World Mutual Fund	442,509	345,690
Total	<u>\$ 511,764</u>	<u>\$ 410,583</u>

Investments include net unrealized gains and (losses) for the year ended June 30, 2012 and 2011 of \$(13,787) and \$37,486 respectively.

NOTE 6 - LOAN PAYABLE

The Organization received an interest free loan from the War Resisters League of \$35,000 on April 1, 2009 this loan was repaid in full on March 09, 2012.

NOTE 7 - PERMANENTLY RESTRICTED ENDOWMENT & BOARD DESIGNATED FUNDS

The Organization has two permanently restricted endowment funds, The Sara Bilezikian Peace Internship Endowment Fund and The Paul G. Schmidt Endowment Fund.

The Sara Bilezikian Peace Internship Endowment agreement stipulates that the donors donated \$40,000 to the organization in June 2005 and an additional pledge of \$35,000 which was received on December 07, 2011. The purpose of the Endowment is to provide stipends and support the engagement of young people in nonviolence activism, organizing and educational work for peace and social justice. The investment income earned as June 30, 2012 totaled \$26,735.

The Paul G. Schmidt Endowment Fund agreement stipulates that the donors donated \$45,000 to the organization on December 29, 2011. The Purpose of the Endowment is to support the educational work of the War Resister League on Peace, disarmament, non-violence, conscientious objection, militarism and related issues. The Investment income earned as of June 30, 2012 totaled \$17.

A.J. MUSTE MEMORIAL INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

	Board Designed Funds	Endowment Funds	6/30/12	6/30/11
Beg. Balance 6/30/11	\$406,644	\$ 58,315	\$464,959	\$425,377
Grants & Contrib.	51,629	85,200	136,829	73,775
Investment income	29,128	6,344	35,472	44,964
Net assets released from restrictions	(119,035)	(2,860)	(121,895)	(79,157)
Ending Bal. 6/30/12	<u>\$368,366</u>	<u>\$146,999</u>	<u>\$515,365</u>	<u>\$464,959</u>

Board Designed Funds Detail:	2012	2011
ADALYS VAZQUEZ SOLIDARITY TRAVEL FUNDS\$	9,240	\$ 11,165
FREEMAN INTERNSHIP FUND	97,677	104,335
CR FUND	14,250	8,552
INTF FUND	25,387	37,783
NOVA FUND		15,000
SWANN FUND	221,812	229,809
TOTAL	<u>\$ 368,366</u>	<u>\$ 406,644</u>

NOTE 8 - PENSION PLAN

The organization has a defined contribution money purchase plan, which covers all employees meeting specific age and length of service requirements. Pension expense charged to operations for the year ended June 30, 2012 and 2011 was \$7,958 and \$9,540.

NOTE 9 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject A.J. Muste Memorial Institute, Inc to concentration of credit risk consist principally of demand deposits accounts in financial institutions. As of the date of this report, Federal Depository Insurance coverage limit have been increased to \$250,000, the organization had account balances in excess of coverage limits of \$55,862 at June 30, 2012.

A.J. MUSTE MEMORIAL INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

NOTE 10 - RELATED PARTY TRANSACTIONS

There were no related party transactions identified for the fiscal years ended June 30, 2012 and 2011.

NOTE 11 - SUBSEQUENT EVENTS

No subsequent events of material nature came to our attention warranting adjustment or disclosure as of the date of this report.