ACCOUNTABILITY COUNSEL
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

July 13, 2020

Board of Directors
Accountability Counsel
San Francisco, California

Report on the Financial Statements

I have audited the accompanying financial statements of Accountability Counsel (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accountability Counsel as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Healy and Associates

Healy and Associates
Concord, California

ACCOUNTABILITY COUNSEL
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 965,795
Grants and pledges receivable, current portion	193,498
Prepaid expenses	43,283
Total current assets	1,202,576
Grants and pledges receivable, long-term portion	193,497
Security deposits	14,250
Fixed assets, net	354
Intangible assets, net	18,005
TOTAL ASSETS	$ 1,428,682
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 46,898
Accrued PTO payable	44,971
Accrued payroll payable	37,398
Accrued payroll taxes and withholdings payable	2,730
TOTAL LIABILITIES	131,997
Commitments and contingencies	
NET ASSETS	
Without donor restrictions	491,586
With donor restrictions	805,099
TOTAL NET ASSETS	1,296,685
TOTAL LIABILITIES AND NET ASSETS	$ 1,428,682

ACCOUNTABILITY COUNSEL
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Foundation grants and awards	$ 477,861	$ 1,148,263	$ 1,626,124
Individual contributions	86,625	-	86,625
Corporate contributions	41,604	-	41,604
In-kind services	87,344	-	87,344
In-kind goods	4,979	-	4,979
Other income	6,727	-	6,727
	705,140	1,148,263	1,853,403
Net assets released from restriction	694,562	(694,562)	-
Total revenue and support	1,399,702	453,701	1,853,403
EXPENSES:			
Program	1,547,623	-	1,547,623
General and administration	177,872	-	177,872
Fundraising	122,619	-	122,619
Total expenses	1,848,114	-	1,848,114
Change in net assets	(448,412)	453,701	5,289
NET ASSETS, beginning of year	939,998	351,398	1,291,396
NET ASSETS, end of year	$ 491,586	$ 805,099	$ 1,296,685

See Notes to Financial Statements

ACCOUNTABILITY COUNSEL
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 5,289
Adjustments to reconcile change in net assets to cash used by operating activities:	
Depreciation and amortization	5,970
CHANGES IN ASSETS AND LIABILITIES:	
Grants and pledges receivable	(298,012)
Prepaid expenses	(20,157)
Accounts payable and accrued expenses	8,856
Accrued payroll and related withholdings and taxes	20,824
NET CASH USED BY OPERATING ACTIVITIES	(277,230)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(277,230)
CASH AND CASH EQUIVALENTS, beginning of year	1,243,025
CASH AND CASH EQUIVALENTS, end of year	$ 965,795

See Notes to Financial Statements

NOTE A – NATURE OF ACTIVITIES

Accountability Counsel (Organization) is a California nonprofit public benefit corporation, founded in 2014 with its principal office in San Francisco, California. The Organization's mission is to amplify the voices of communities around the world to protect their human rights and environment. As advocates for people harmed by internationally financed projects, the Organization employs community driven and policy level strategies to access justice.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following 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 Organization. These net assets may be used at the discretion of the Organization'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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization 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, and those differences could be material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments, if any, with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants and Pledges Receivables

Grants and pledges receivables at August 31, 2019, consist of amounts due from promises to give. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of August 31, 2019.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. 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 Organization 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:

- **Level 1**— Quoted prices for identical assets and liabilities in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- **Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

Fixed Assets

Fixed asset additions, in excess of $5,000, are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and In-kind Contributions
The Organization receives goods and services, which are donated for carrying out its mission. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. For the year ended August 31, 2019, the Organization recognized $87,344 in donated professional services and $4,979 in donated goods. The amounts are reflected in the accompanying statement of activities.

Tax Exemption Status
The Organization has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Revenue Recognition
The Organization is supported primarily through foundation grants and contributions. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities,* 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 statements of activities as net assets released from restrictions. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Principles

During the year ended August 31, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), required for annual reporting periods beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added.

Relevant Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. Topic 606 is effective for financial statements issued for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. ASU 2018-08 is effective for financial statements issued for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE C – CONCENTRATIONS

Total cash held by the Organization at August 31, 2019, exceeded the federally insured limits provided from the Federal Deposit Insurance Corporation (FDIC) by $1,086,845. It is the opinion of management that the solvency of the financial institution is not of concern at this time.

The Organization derived a significant portion (50%) of its revenue from two donors (31% and 19%). In addition, one donor accounted for all of the Organization's accounts receivable. Any loss of those funds could have an impact on the Organization's ability to provide services.

NOTE D – GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable as of August 31, 2019 are summarized as follows:

Amount due within one year	$ 193,498
Due within 2 to 5 years	193,497
Total Grants and Pledges Receivable	$ 386,995

Accounts receivable due between two and five years have not been discounted to the net present value, as the discount would be immaterial to these financial statements taken as a whole and has therefore not been recorded.

NOTE E – FIXED ASSETS

Fixed assets at August 31, 2019 are comprised of the following:

Office equipment	$ 6,166
Less: Accumulated depreciation	(5,812)
Total fixed assets, net	$ 354

Depreciation expense is $568 for the year ended August 31, 2019.

NOTE F – INTANGIBLE ASSETS

Intangible assets at August 31, 2019 are comprised of the following:

Website redesign	$ 27,008
Less: Accumulated amortization	(9,003)
Total intangible assets, net	$ 18,005

Amortization expense is $5,402 for the year ended August 31, 2019.

NOTE G – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off. The amount of paid time off liability at August 31, 2019 is $44,971 and is reflected in the accompanying financial statements.

The Organization offers a deferred compensation plan to employees who meet the criteria. The Organization matches employee contributions up to 4% of the employee's annual salary per employee per year. The total contributions made by the employer for the year ended August 31, 2019 is $30,228.

NOTE H – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	$ 965,795
Grants and accounts receivable	193,498
Total financial assets	1,159,293
Less:	
Net assets with purpose restrictions to be met in one year	(611,602)
Financial assets available to meet cash needs for general expenditures within one year	$547,691

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements, if available, in short-term investments.

NOTE I – COMMITMENTS

The Organization leases office space in San Francisco, California in a lease which runs through December 2024 at a rate of approximately $6,650 per month. In addition, the Organization leases office space in Washington D.C. at a rate of approximately $4,800 per month. Rental expense for the year ended August 31, 2019 is $129,780. Future commitments under these leases as of August 31, are as follows:

Year Ended	
2020	$ 131,361
2021	$ 82,086
2022	$ 83,838
2023	$ 86,353
2024	$ 88,944

NOTE J – FUNCTIONAL EXPENSES

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited are allocated among the various functions benefited based on employee time spent in the functional area. The table below presents expenses by both their nature and their function for the year ended August 31, 2019:

	Program	General and Administration	Fundraising	Total
Salaries and wages	$777,888	$ 93,419	$ 80,118	$ 951,425
Employee benefits	105,532	13,513	11,747	130,792
Payroll taxes	58,621	5,766	6,156	70,543
Total personnel	942,041	112,698	98,021	1,152,760
Consultants and contractors	174,195	-	-	174,195
Travel	132,856	1,868	1,946	136,670
Occupancy	115,582	9,356	8,165	133,103
In-kind services	69,927	17,417	-	87,344
Professional services	56,610	13,252	337	70,199
Communication and IT	21,035	10,102	1,255	32,392
Partner expenses	15,346	-	-	15,346
Other	10,670	2,508	749	13,927
Fundraising and event expenses	3,015	-	7,608	10,623
Depreciation and amortization	-	5,970	-	5,970
In-kind goods	1,188	750	3,041	4,979
Insurance	1,102	3,481	114	4,697
Printing and copying	3,592	241	556	4,389
Bank charges, taxes, and other fees	464	229	827	1,520
Total operating	605,582	65,174	24,598	695,354
TOTAL EXPENSES	$ 1,547,623	$ 177,872	$ 122,619	$ 1,848,114

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended August 31, 2019, net assets with donor restrictions had the following activity:

Nature of Restriction	Beginning Balance	Income and Contribution	Released from Restriction	Ending Balance
Time	$ 87,500	$ 580,492	($ 280,997)	$ 386,995
Specific purpose	263,898	567,771	(413,565)	418,104
Total	$ 351,398	$1,148,263	($694,562)	$ 805,099

NOTE L – CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. Management believes the Organization has complied with the terms of all grants.

NOTE M – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through July 13, 2020, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since August 31, 2019, that required recognition or disclosure in the financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.