ACCOUNTABILITY COUNSEL
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

January 29, 2021

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 public benefit corporation), which comprise the statement of financial position as of August 31, 2020, 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.

1200 CONCORD AVENUE, SUITE 250, CONCORD, CA 94520 • (925) 603-0800 • (925) 603-0804 FAX

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, 2020, 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, 2020

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 847,226
Investments	526,231
Grants and accounts receivable, current portion	874,422
Prepaid expenses	9,063
Total current assets	2,256,942
Security deposits	7,622
Fixed assets, net	27
Intangible assets, net	12,604
TOTAL ASSETS	$ 2,277,195
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 22,385
Accrued PTO payable	52,000
Accrued payroll payable	47,073
Accrued payroll taxes and withholdings payable	6,167
Total current liabilities	127,625
PPP grant	225,851
TOTAL LIABILITIES	353,476
Commitments and contingencies	
NET ASSETS	
Without donor restrictions	601,629
With donor restrictions	1,322,090
TOTAL NET ASSETS	1,923,719
TOTAL LIABILITIES AND NET ASSETS	$ 2,277,195

ACCOUNTABILITY COUNSEL
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Foundation grants and awards	$ 222,910	$ 2,075,736	$ 2,298,646
Individual contributions	83,680	-	83,680
Corporate contributions	15,995	-	15,995
In-kind services	49,234	-	49,234
Program fees	12,400	-	12,400
Other income	6,394	-	6,394
	390,613	2,075,736	2,466,349
Net assets released from restriction	1,558,745	(1,558,745)	-
Total revenue and support	1,949,358	516,991	2,466,349
EXPENSES:			
Program	1,493,401	-	1,493,401
General and administration	180,806	-	180,806
Fundraising	165,108	-	165,108
Total expenses	1,839,315	-	1,839,315
Change in net assets	110,043	516,991	627,034
NET ASSETS, beginning of year	491,586	805,099	1,296,685
NET ASSETS, end of year	$ 601,629	$ 1,322,090	$ 1,923,719

ACCOUNTABILITY COUNSEL
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 627,034
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	5,728
CHANGES IN ASSETS AND LIABILITIES:	
Grants and accounts receivable	(487,427)
Prepaid expenses	34,220
Security deposits	6,628
Accounts payable and accrued expenses	(24,513)
Accrued payroll and related withholdings and taxes	20,141
NET CASH PROVIDED BY OPERATING ACTIVITIES	181,811
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments	(526,231)
NET CASH USED BY INVESTING ACTIVITIES	(526,231)
CASH FLOWS FROM FINANCING ACTIVITIES:	
PPP grant proceeds	225,851
NET CASH PROVIDED BY FINANCING ACTIVITIES	225,851
NET DECREASE IN CASH AND CASH EQUIVALENTS	(118,569)
CASH AND CASH EQUIVALENTS, beginning of year	965,795
CASH AND CASH EQUIVALENTS, end of year	$ 847,226

NOTE A – NATURE OF ACTIVITIES

Accountability Counsel (Organization) is a California nonprofit public benefit corporation, founded in 2009 under fiscal sponsorship and incorporated 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 Accounts Receivables

Grants and accounts receivables at August 31, 2020, 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, 2020.

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, 2020, the Organization recognized $49,234 in donated professional services. 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.

Program fees are recognized when services are provided.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Principle

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. The Organization adopted the standard on September 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

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), which 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. The Organization plans to adopt the standard on September 1, 2020. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. 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, 2020, exceeded the federally insured limits provided from the Federal Deposit Insurance Corporation (FDIC) by $1,122,930. 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 (45%) of its revenue from two donors (23% and 22%). In addition, three donors accounted for 82% of the Organization's accounts receivable (31%, 29%, and 22%). Any loss of those funds could have an impact on the Organization's ability to provide services.

NOTE D – INVESTMENTS

Investments as of August 31, 2020 are comprised of the following:

Certificates of deposit – maturing in fiscal year ended August 31, 2021	$ 526,231
Total investments	$ 526,231

Investment activity for the year ended August 31, 2020 is as follows:

Ending balance, August 31, 2019	$ -
Purchases	522,000
Interest earned	4,231
Ending balance, August 31, 2020	$ 526,231

NOTE E – FIXED ASSETS

Fixed assets at August 31, 2020 are comprised of the following:

Office equipment	$ 6,166
Less: Accumulated depreciation	(6,139)
Total fixed assets, net	$ 27

Depreciation expense is $327 for the year ended August 31, 2020.

NOTE F – INTANGIBLE ASSETS

Intangible assets at August 31, 2020 are comprised of the following:

Website redesign	$ 27,008
Less: Accumulated amortization	(14,404)
Total intangible assets, net	$ 12,604

Amortization expense is $5,401 for the year ended August 31, 2020.

NOTE G – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off. The amount of paid time off liability at August 31, 2020 is $52,000 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, 2020 is $38,444.

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	$ 847,226
Investments	526,231
Grants and accounts receivable	874,422
Total financial assets	2,247,879
Less:	
Net assets with purpose restrictions to be met in one year	(1,322,090)
Financial assets available to meet cash needs for general expenditures within one year	$925,789

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 – PPP LOAN PAYABLE

In April 2020, the Organization received $225,000 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The PPP carries an interest rate of 1% and becomes payable two years after issuance. The Organization accrued $851 in interest payable at August 31, 2020. The Organization plans to seek formal forgiveness of the small business loan in the fiscal year ended August 31, 2021.

NOTE J – 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 response to the City of San Francisco's shelter-in-place order from March 2020, the Organization received a 50% discount on rent starting in August 2020, with the understanding that the landlord would work with the Organization to refill the space with another tenant and release the Organization from the lease.

In addition, the Organization leased office space in Washington, D.C. on a month-to-month basis at a rate of approximately $4,800 per month. The Organization closed the Washington, D.C. office in October 2020 as the Organization's employees work remotely.

Rental expense for the year ended August 31, 2020 is $130,595. Future commitments under these leases as of August 31, are as follows:

Year Ended	
2021	$ 43,573
2022	$ 41,919
2023	$ 43,177
2024	$ 44,472
2025	$ 14,969

NOTE K – 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.

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. The Organization has revised operations in light of COVID-19, however, it remains uncertain as to how this matter will continue to impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE L – FUNCTIONAL EXPENSES

The costs of program activities and supporting services have been summarized on a functional basis in the table below. The table 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 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, 2020:

	Program	General and Administration	Fundraising	Total
Personnel				
Salaries and wages	$ 897,213	$ 76,204	$ 110,217	$ 1,083,634
Employee benefits	123,011	14,649	14,340	152,000
Payroll taxes	59,047	5,057	7,015	71,119
Total personnel	1,079,271	95,910	131,572	1,306,753
Operations				
Occupancy	112,986	7,404	10,541	130,931
Consultants and contractors	120,712	-	-	120,712
Travel	50,634	2,132	2,216	54,982
Other professional services	41,755	2,175	8,371	52,301
In-kind services	24,139	25,095	-	49,234
Partner expenses	24,300	-	-	24,300
Event expenses	14,512	-	6,909	21,421
Accounting	-	20,943	-	20,943
Communication and IT	9,870	6,856	1,121	17,847
Office expenses	7,517	330	2,307	10,154
Legal	-	8,762	-	8,762
Depreciation and amortization	-	5,728	-	5,728
Other	4,662	496	253	5,411
Insurance	1,114	3,835	134	5,083
Bank charges, taxes, and other fees	546	1,140	1,619	3,305
Conferences, conventions, and meetings	1,383	-	65	1,448
Total operating	414,130	84,896	33,536	532,562
TOTAL EXPENSES	$1,493,401	$ 180,806	$ 165,108	$1,839,315

NOTE M – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended August 31, 2020, net assets with donor restrictions had the following activity:

Nature of Restriction	Beginning Balance	Income and Contribution	Released from Restriction	Ending Balance
Time	$ 386,995	$ 1,445,000	($ 937,900)	$ 894,095
Specific purpose	418,104	630,736	(620,845)	427,995
Total	$ 805,099	$2,075,736	($1,558,745)	$1,322,090

NOTE N – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through January 29, 2021, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since August 31, 2020, that required recognition or disclosure in the financial statements.