ACCOUNTABILITY COUNSEL
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2023

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

CONTENTS

INDEPENDENT AUDITOR'S REPORT

January 5, 2024

Board of Directors
Accountability Counsel
San Francisco, California

Opinion

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, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Accountability Counsel and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Accountability Counsel 's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

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standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Accountability Counsel's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Accountability Counsel's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Healy and Associates

Healy and Associates
Concord, California

ACCOUNTABILITY COUNSEL
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,116,685
Investments	700,000
Grants receivable	1,623,000
Prepaid expenses	93,500
Total current assets	4,533,185
Grants receivable, long-term portion, net	166,499
Right-of-use asset	111,343
Security deposits	7,625
Fixed assets, net	-
Intangible assets, net	-
TOTAL ASSETS	$ 4,818,652
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 283,842
Accrued PTO payable	63,152
Accrued payroll payable	14,425
Accrued payroll taxes and withholdings payable	8,177
Accrued sabbatical leave	127,500
Lease liability, current portion	83,963
Total current liabilities	581,059
Lease liability, long-term portion	28,937
TOTAL LIABILITIES	609,996
NET ASSETS	
Without donor restrictions	1,741,880
With donor restrictions	2,466,776
TOTAL NET ASSETS	4,208,656
TOTAL LIABILITIES AND NET ASSETS	$ 4,818,652

ACCOUNTABILITY COUNSEL
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Foundation grants and awards	$ 435,001	$ 3,053,998	$ 3,488,999
Individual contributions	88,253	-	88,253
In-kind services	55,087	-	55,087
Other income	47,848	-	47,848
Interest income	46,744	-	46,744
Corporate contributions	13,650	-	13,650
Program fees	2,899	-	2,899
	689,482	3,053,998	3,743,480
Net assets released from restriction	1,677,604	(1,677,604)	-
Total revenue and support	2,367,086	1,376,394	3,743,480
EXPENSES:			
Program	2,553,845	-	2,553,845
General and administration	289,364	-	289,364
Fundraising	231,078	-	231,078
Total expenses	3,074,287	-	3,074,287
Change in net assets	(707,201)	1,376,394	669,193
NET ASSETS, beginning of year	2,449,081	1,090,382	3,539,463
NET ASSETS, end of year	$ 1,741,880	$ 2,466,776	$ 4,208,656

ACCOUNTABILITY COUNSEL
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 669,193
Adjustments to reconcile change in net assets to cash used by operating activities:	
Amortization	1,801
CHANGES IN ASSETS AND LIABILITIES:	
Grants receivable	(1,128,999)
Prepaid expenses	(73,908)
Security deposits	(125)
Right-of-use asset	(111,343)
Accounts payable and accrued expenses	228,247
Accrued payroll and related withholdings and taxes	(104,334)
Accrued sabbatical payable	(22,841)
Lease liability	112,900
NET CASH USED BY OPERATING ACTIVITIES	(429,409)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments	(611,637)
NET CASH USED BY INVESTING ACTIVITIES	(611,637)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,041,046)
CASH AND CASH EQUIVALENTS, beginning of year	3,157,731
CASH AND CASH EQUIVALENTS, end of year	$ 2,116,685
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:	
Right-of-use asset	$ 191,552
Operating lease liability for right-of-use asset	$ 191,552

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.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable at August 31, 2023, 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, 2023.

Fair Value Measurements

The Organization's financial instruments include cash, cash equivalents, and investments measured using Level 1 and Level 2 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 are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets 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.

Intangible Assets

Intangible asset additions, in excess of $5,000, are recorded at cost, or if donated, at fair value on the date of donation, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the related assets.

Donated Services and In-kind Contributions

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, 2023, the Organization recognized $55,087 in donated professional services. The amounts are reflected in the accompanying statement of activities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization is supported primarily through foundation grants and contributions.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Program fees are recognized when services are provided.

Relevant Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a comprehensive new lease accounting model. It 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. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The 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 adopted the standard on September 1, 2022. The Organization elected the ‘package of practical expedients’, which permitted the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs; and all of the new standard’s available transition practical expedients. In addition, the Organization adopted the practical expedients of using the risk-free interest rate and the short-term lease definition. The adoption of the standard resulted in the addition of right of use assets and lease liabilities as reflected in the accompanying financial statements.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate for the same term as the underlying lease or the risk-free interest rate. Lease expense for the operating lease is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE C – CONCENTRATIONS

Total cash and cash equivalents held by the Organization at August 31, 2023, exceeded the federally insured limits provided from the Federal Deposit Insurance Corporation (FDIC) by $1,900,342.

The Organization derived a significant portion (33%) of its revenue from two donors (17% and 16%). In addition, three donors accounted for 57% of the Organization's accounts receivable (22%, 18%, and 17%). Any loss of those funds could have an impact on the Organization's ability to provide services.

NOTE D – GRANTS RECEIVABLE

Grants receivable at August 31, 2023 are expected to be collected as follows:

Due within one year	$1,623,000
Due within two to seven years	175,000
Less present value discount (≈5%)	(8,501)
Total grants receivable	$1,789,499

NOTE E – INVESTMENTS

Investment composition and activity as of and for the year ended August 31, 2023 are as follows:

Certificates of deposit (Level 2) – maturing in fiscal year ended August 31, 2024	$ 700,000
Total investments	$ 700,000

Ending balance, August 31, 2022	$ 88,363
Additions	2,663,334
Withdrawals	(2,069,468)
Interest earned	17,771
Ending balance, August 31, 2023	$ 700,000

NOTE F – FIXED ASSETS

Fixed assets at August 31, 2023 are comprised of the following:

Office equipment	$ 1,292
Less: Accumulated depreciation	(1,292)
Total fixed assets, net	$ -

Depreciation expense is $0 for the year ended August 31, 2023.

NOTE G – INTANGIBLE ASSETS

Intangible assets at August 31, 2023 are comprised of the following:

Website redesign	$ 27,008
Less: Accumulated amortization	(27,008)
Total intangible assets, net	$ -

Amortization expense is $1,801 for the year ended August 31, 2023.

NOTE H – EMPLOYEE BENEFITS

The Organization’s employees are entitled to paid time off. The amount of paid time off liability at August 31, 2023 is $63,152 and is reflected in the accompanying financial statements. In addition, the Organization offers sabbatical to eligible full-time employees. The total amount accrued for sabbatical leave is $127,500, as reflected in the accompanying statement of financial position.

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, 2023 is $47,430.

NOTE I – IN-KIND DONATIONS

For the year ended August 31, 2023, in-kind donations were received and used as follows:

In-kind Services Received	Valuation Technique	Allocation	Total Received
Pro bono legal services	FMV of services	Administrative	$ 49,288
Ramp services	FMV of services	Administrative	1,000
Train tickets/hotel rooms	FMV of services	Fundraising	2,299
Audit services	FMV of services	Administrative	2,500
Total in-kind services			$ 55,087

NOTE J – 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 and cash equivalents	$ 2,116,685
Investments	700,000
Grants receivable	1,623,000
Total financial assets	4,439,685
Less:	
Net assets with purpose restrictions to be met in one year	(2,300,277)
Financial assets available to meet cash needs for general expenditures within one year	$2,139,408

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 K – LEASES

During the year ended August 31, 2023, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases,* which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments.

The Organization leases office space, under a noncancellable lease, in San Francisco, California in a lease which runs through December 2024 at a rate of approximately $7,000 per month.

The Organization leases office space in Nairobi, Kenya at a rate of approximately $1,250 per month through February 2024. The Organization subleases space in Washington, D.C. at a rate of approximately $6,000 per month, on a month-to-month basis.

The client used a rate of 3.51% to determine present value. Right-of-use assets were $111,343 and lease liabilities were $112,900 as of August 31, 2023. The weighted-average discount rate used to calculate the present value of future minimum lease payments was the risk-free interest rate of 3.51%. The weighted-average lease term was 1.34 years at August 31, 2023.

NOTE K – LEASES (Continued)

Lease expense consists of the following for the year ended August 31, 2023:

Operating lease expense	$ 85,396
Short term lease expense	90,030
Total lease expense	$ 175,426

The total cash amount paid for operating leases was $83,838 for the fiscal year ended August 31, 2023, with a non-cash component of $1,558.

Future minimum payments for the fiscal year ended August 31 is as follows:

	Operating Leases	Short term Leases
2024	$ 86,365	$ 9,817
2025	29,072	-
Total minimum lease payments	115,437	9,817
Less: net present value	(2,537)	-
Present value of minimum lease payments	$ 112,900	$ 9,817

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended August 31, 2023, net assets with donor restrictions had the following activity:

Nature of Restriction	Beginning Balance	Income and Contribution	Released from Restriction	Ending Balance
Time	$ 413,000	$ 1,546,498	($778,333)	$1,181,165
General operations	144,972	1,000,000	(263,226)	881,746
Specific purpose:				
Communities program	183,087	350,000	(277,793)	255,294
Policy program	344,086	100,000	(321,055)	123,031
Partner support	3,924	7,500	(11,424)	-
Capacity building	1,313	50,000	(25,773)	25,540
Total	$1,090,382	$3,053,998	($1,677,604)	$2,466,776

NOTE M – 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, 2023:

	Program	General and Administration	Fundraising	Total
Personnel				
Salaries and wages	$1,140,413	$ 119,790	$ 99,648	$1,359,851
Employee benefits	151,007	19,782	14,940	185,729
Payroll taxes	87,635	9,191	7,834	104,660
PEO wages, benefits, and taxes	187,335	2,818	8,454	198,607
Total personnel	1,566,390	151,581	130,876	1,848,847
Operations				
Other professional services	212,506	12,837	68,684	294,027
Consultants and contractors	265,655	-	-	265,655
Travel	186,064	2,923	11,245	200,232
Occupancy	163,656	2,905	9,348	175,909
In-kind services	-	52,788	2,299	55,087
PEO service fees	45,152	450	1,350	46,952
Accounting	-	46,961	-	46,961
Communication and IT	37,399	3,708	2,364	43,471
Volunteer support	34,208	-	-	34,208
Office expenses	13,966	424	1,202	15,592
Other expenses	-	6,897	2,141	9,038
Partner expenses	8,552	-	-	8,552
Insurance	4,554	3,498	399	8,451
Computer hardware	6,530	1,288	13	7,831
Bank charges, taxes, and other fees	3,571	1,303	1,088	5,962
Conferences, conventions, and meetings	5,189	-	69	5,258
Amortization	-	1,801	-	1,801
Events	453	-	-	453
Total operating	987,455	137,783	100,202	1,225,440
TOTAL EXPENSES	$2,553,845	$289,364	$231,078	$3,074,287

NOTE N – FOREIGN OPERATIONS

The Organization has program operations in Asia and Africa. The financial activities are transacted in the US Dollar. During the year ended August 31, 2023, the Organization had expenses of approximately $205,140 and $278,660, respectively, in those regions for a total spent abroad of approximately $483,800.

NOTE O – RELATED PARTIES

A member of the Board of Directors is an attorney with the law firm the Organization received donated legal services from during the year ended August 31, 2023.

NOTE P – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through January 5, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since August 31, 2023, that required recognition or disclosure in the financial statements.