

ACCOUNTABILITY COUNSEL
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

TEN MONTHS ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

December 4, 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 June 30, 2024, and the related statements of activities and cash flows for the ten months 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 June 30, 2024, and the changes in net assets and its cash flows for the ten months 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 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.



Healy and Associates
Concord, California

ACCOUNTABILITY COUNSEL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,594,577
Investments	363,156
Grants receivable, current portion	625,000
Prepaid expenses	<u>95,707</u>

Total current assets 2,678,440

Grants receivable, long-term portion	100,000
Right-of-use asset	42,374
Security deposits	8,937
Fixed assets, net	-
Intangible assets, net	<u>-</u>

TOTAL ASSETS \$ 2,829,751

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 153,463
Accrued PTO payable	100,087
Accrued payroll payable	47,796
Accrued payroll taxes and withholdings payable	6,888
Accrued sabbatical leave	173,713
Lease liability, current portion	<u>43,276</u>

Total current liabilities 525,223

Lease liability, long-term portion	<u>-</u>
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TOTAL LIABILITIES 525,223

NET ASSETS

Without donor restrictions	688,817
With donor restrictions	<u>1,615,711</u>

TOTAL NET ASSETS 2,304,528

TOTAL LIABILITIES AND NET ASSETS \$ 2,829,751

ACCOUNTABILITY COUNSEL
STATEMENT OF ACTIVITIES
TEN MONTHS ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Foundation grants and awards	\$ 28,511	\$ 677,501	\$ 706,012
In-kind services	102,328	-	102,328
Individual contributions	43,676	-	43,676
Investment income	21,005	-	21,005
Other income	13,280	-	13,280
Interest income	8,449	-	8,449
Corporate contributions	3,050	-	3,050
	<u>220,299</u>	<u>677,501</u>	<u>897,800</u>
Net assets released from restriction	<u>1,528,566</u>	<u>(1,528,566)</u>	<u>-</u>
Total revenue and support	<u>1,748,865</u>	<u>(851,065)</u>	<u>897,800</u>
EXPENSES:			
Program	2,216,470	-	2,216,470
Supporting services:			
General and administration	365,218	-	365,218
Fundraising	220,240	-	220,240
	<u>2,801,928</u>	<u>-</u>	<u>2,801,928</u>
Total expenses	<u>2,801,928</u>	<u>-</u>	<u>2,801,928</u>
Change in net assets	(1,053,063)	(851,065)	(1,904,128)
NET ASSETS, as of August 31, 2023	<u>1,741,880</u>	<u>2,466,776</u>	<u>4,208,656</u>
NET ASSETS, as of June 30, 2024	<u>\$ 688,817</u>	<u>\$ 1,615,711</u>	<u>\$ 2,304,528</u>

ACCOUNTABILITY COUNSEL
STATEMENT OF CASH FLOWS
TEN MONTHS ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ (1,904,128)

Adjustments to reconcile change in net assets to
cash used by operating activities:

Realized gain on investments (21,005)

CHANGES IN ASSETS AND LIABILITIES:

Grants receivable 1,064,499

Prepaid expenses (2,207)

Security deposits (1,312)

Right-of-use asset 68,969

Accounts payable and accrued expenses (130,379)

Accrued payroll and related withholdings and taxes 69,017

Accrued sabbatical payable 46,213

Lease liability (69,624)

NET CASH USED BY OPERATING ACTIVITIES (879,957)

CASH FLOWS FROM INVESTING ACTIVITIES:

Sale of investments 357,849

NET CASH PROVIDED BY INVESTING ACTIVITIES 357,849

NET DECREASE IN CASH AND CASH EQUIVALENTS (522,108)

CASH AND CASH EQUIVALENTS, as of August 31, 2023 2,116,685

CASH AND CASH EQUIVALENTS, as of June 30, 2024 \$ 1,594,577

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

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.

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable at June 30, 2024, 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 June 30, 2024.

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 ten months ended June 30, 2024, the Organization recognized \$102,328 in donated professional services. The amounts are reflected in the accompanying statement of activities.

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

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.

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 June 30, 2024, exceeded the federally insured limits provided from the Federal Deposit Insurance Corporation (FDIC) by \$1,727,220.

The Organization derived a significant portion (66%) of its revenue from two donors (33% and 33%). In addition, three donors accounted for 80% of the Organization's accounts receivable (28%, 28%, and 24%). Any loss of those funds could have an impact on the Organization's ability to provide services.

NOTE D – GRANTS RECEIVABLE

Grants receivable at June 30, 2024 are expected to be collected as follows:

Due within one year	\$625,000
Due within two to seven years	100,000
Total grants receivable	<u>\$725,000</u>

The present value discount on awards greater than one year has not been accrued by the Organization. The discount, is imputed, would be immaterial to these financial statements taken as a whole.

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

NOTE E – INVESTMENTS

Investment composition and activity as of and for the ten months ended June 30, 2024 are as follows:

Certificates of deposit (Level 2) – maturing in fiscal year ended June 30, 2025	\$ 363,156
Total investments	<u>\$ 363,156</u>
Ending balance, August 31, 2023	\$ 700,000
Withdrawals	(357,849)
Interest earned	21,005
Ending balance, June 30, 2024	<u>\$ 363,156</u>

NOTE F – FIXED ASSETS

Fixed assets at June 30, 2024 are comprised of the following:

Office equipment	\$ 514
Less: Accumulated depreciation	(514)
Total fixed assets, net	<u>\$ -</u>

Depreciation expense is \$0 for the ten months ended June 30, 2024.

NOTE G – INTANGIBLE ASSETS

Intangible assets at June 30, 2024 are comprised of the following:

Website redesign	\$ 27,008
Less: Accumulated amortization	(27,008)
Total intangible assets, net	<u>\$ -</u>

Amortization expense is \$0 for the ten months ended June 30, 2024.

NOTE H – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off. The amount of paid time off liability at June 30, 2024 is \$100,087 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 \$173,713, 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 ten months ended June 30, 2024 is \$34,797.

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

NOTE I – IN-KIND DONATIONS

For the ten months ended June 30, 2024, 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 as stated by donor	Administrative	\$ 99,828
Audit services	FMV of services as stated by donor	Administrative	2,500
Total in-kind services			<u>\$ 102,328</u>

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	\$ 1,594,877
Investments	363,156
Grants receivable	625,000
Total financial assets	<u>2,583,033</u>
Less:	
Net assets with purpose restrictions to be met in one year	<u>(1,515,711)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,067,322</u>

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 – NET ASSETS WITH DONOR RESTRICTIONS

For the ten months ended June 30, 2024, net assets with donor restrictions had the following activity:

Nature of Restriction	Beginning Balance	Income and Contribution	Released from Restriction	Ending Balance
Time	\$1,181,365	\$ 668,501	(\$699,721)	\$1,150,145
General operations	881,746	-	(428,925)	452,821
Specific purpose:				
Communities program	255,294	-	(251,584)	3,710
Policy program	123,031	-	(116,506)	6,525
Fellowship	-	9,000	(6,490)	2,510
Capacity building	25,340	-	(25,340)	-
Total	<u>\$2,466,776</u>	<u>\$677,501</u>	<u>(\$1,528,566)</u>	<u>\$1,615,711</u>

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

NOTE L – LEASES

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 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 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 2025. 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 \$42,374 and lease liabilities were \$43,276 as of June 30, 2024. 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 0.50 years at June 30, 2024.

Lease expense consists of the following for the ten months ended June 30, 2024:

Operating lease expense	\$ 71,163
Short term lease expense	80,040
Total lease expense	<u>\$ 151,203</u>

The total cash amount paid for operating leases was \$71,819 for the ten months ended June 30, 2024, with a non-cash component of (\$656).

Future minimum payments as of June 30 is as follows:

	<u>Operating Leases</u>	<u>Short term Leases</u>
2025	<u>\$ 43,608</u>	<u>\$ 15,050</u>
Total minimum lease payments	43,608	15,050
Less: net present value	(332)	-
Present value of minimum lease payments	<u>\$ 43,276</u>	<u>\$ 15,050</u>

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

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 ten months ended June 30, 2024:

	Program	General and Administration	Fundraising	Total
<u>Personnel</u>				
Salaries and wages	\$832,081	\$ 126,973	\$ 83,121	\$1,042,175
Employee benefits	112,131	19,434	10,358	141,923
Payroll taxes	59,460	9,076	5,882	74,418
PEO wages, benefits, and taxes	500,467	11,436	27,249	539,152
Total personnel	1,504,139	166,919	126,610	1,797,668
<u>Operations</u>				
Travel	201,747	22,962	21,964	246,673
Other professional services	173,151	13,613	50,227	236,991
Occupancy	136,051	5,222	9,930	151,203
In-kind services	-	102,328	-	102,328
PEO service fees	62,800	1,100	2,600	66,500
Communication and IT	36,377	3,459	2,412	42,248
Consultants and contractors	36,695	-	-	36,695
Volunteer support	14,173	8,625	-	22,798
Accounting	-	22,480	-	22,480
Events	12,804	1,546	1,006	15,356
Office expenses	10,583	1,324	1,474	13,381
Conferences and meetings	10,033	87	892	11,012
Other expenses	70	7,303	1,786	9,159
Bank charges, taxes, and other fees	7,103	706	987	8,796
Insurance	3,819	3,880	352	8,051
Partner expenses	4,932	-	-	4,932
Bad debt expense	-	3,000	-	3,000
Computer hardware	1,993	664	-	2,657
Total operating	712,331	198,299	93,630	1,004,260
TOTAL EXPENSES	\$2,216,470	\$365,218	\$220,240	\$2,801,928

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED JUNE 30, 2024

NOTE N – FOREIGN OPERATIONS

The Organization has program operations in Asia and Africa. The financial activities are transacted in the US Dollar. During the ten months ended June 30, 2024, the Organization had expenses of approximately \$233,113 and \$263,021, respectively, in those regions for a total spent abroad of approximately \$496,134.

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 ten months ended June 30, 2024.

NOTE P – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through December 4, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024, that required recognition or disclosure in the financial statements.