

ACCOUNTABILITY COUNSEL
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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INDEPENDENT AUDITOR'S REPORT

February 25, 2022

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, 2021, 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.

Accountability Counsel
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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, 2021, 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, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 3,115,486
Investments	88,121
Grants receivable	1,167,625
Prepaid expenses	<u>21,424</u>

Total current assets 4,392,656

Security deposits	5,000
Fixed assets, net	-
Intangible assets, net	<u>7,202</u>

TOTAL ASSETS \$ 4,404,858

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 39,636
Accrued PTO payable	71,312
Accrued payroll payable	53,703
Accrued payroll taxes and withholdings payable	6,065
Accrued sabbatical leave	<u>105,243</u>

Total current liabilities 275,959

PPP loan payable 238,936

TOTAL LIABILITIES 514,895

Commitments and contingencies

NET ASSETS

Without donor restrictions	2,471,614
With donor restrictions	<u>1,418,349</u>

TOTAL NET ASSETS 3,889,963

TOTAL LIABILITIES AND NET ASSETS \$ 4,404,858

ACCOUNTABILITY COUNSEL
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Foundation grants and awards	\$ 893,500	\$ 2,512,000	\$ 3,405,500
PPP loan forgiveness	225,000	-	225,000
Individual contributions	87,359	20,500	107,859
ERC income	72,125	-	72,125
In-kind services	70,223	-	70,223
Donated rent	23,275	-	23,275
Corporate contributions	11,403	-	11,403
Other income	10,311	-	10,311
Investment income	3,260	-	3,260
Program fees	1,000	-	1,000
	<u>1,397,456</u>	<u>2,532,500</u>	<u>3,929,956</u>
Net assets released from restriction	<u>2,436,241</u>	<u>(2,436,241)</u>	<u>-</u>
Total revenue and support	<u>3,833,697</u>	<u>96,259</u>	<u>3,929,956</u>
EXPENSES:			
Program	\$1,424,491	-	1,424,491
General and administration	177,010	-	177,010
Fundraising	245,776	-	245,776
Total expenses	<u>1,847,277</u>	<u>-</u>	<u>1,847,277</u>
Change in net assets	<u>1,986,420</u>	<u>96,259</u>	<u>2,082,679</u>
NET ASSETS, beginning of year, as previously stated	601,629	1,322,090	1,923,719
Prior period adjustment	<u>(116,435)</u>	<u>-</u>	<u>(116,435)</u>
NET ASSETS, beginning of year, as restated	485,194	1,322,090	1,807,284
NET ASSETS, end of year	<u>\$ 2,471,614</u>	<u>\$ 1,418,349</u>	<u>\$ 3,889,963</u>

See Notes to Financial Statements

ACCOUNTABILITY COUNSEL
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 2,082,679

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

Depreciation and amortization 5,429
PPP loan forgiveness (225,000)

CHANGES IN ASSETS AND LIABILITIES:

Grants receivable (293,203)
Prepaid expenses (12,361)
Security deposits 2,622
Accounts payable and accrued expenses 17,251
Accrued sabbatical payable (11,192)
Accrued payroll and related withholdings and taxes 25,840

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,592,065

CASH FLOWS FROM INVESTING ACTIVITIES:

Change in investments 438,110

NET CASH PROVIDED BY INVESTING ACTIVITIES 438,110

CASH FLOWS FROM FINANCING ACTIVITIES:

PPP loan proceeds 238,085

NET CASH PROVIDED BY FINANCING ACTIVITIES 238,085

NET INCREASE IN CASH AND CASH EQUIVALENTS 2,268,260

CASH AND CASH EQUIVALENTS, beginning of year 847,226

CASH AND CASH EQUIVALENTS, end of year \$ 3,115,486

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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.

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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 Receivables

Grants receivables at August 31, 2021, 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, 2021.

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 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.

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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, 2021, the Organization recognized \$70,223 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.

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.

Newly Adopted Accounting Principles

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 adopted the standard on September 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Early adoption is permitted. 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 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, 2021, exceeded the federally insured limits provided from the Federal Deposit Insurance Corporation (FDIC) by \$104,426. 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 (64%) of its revenue from three donors (26%, 19% and 19%). In addition, two donors accounted for 75% of the Organization's accounts receivable (43% and 32%). 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, 2021 are comprised of the following:

Certificates of deposit – maturing in fiscal year ended August 31, 2022	<u>\$ 88,121</u>
Total investments	<u>\$ 88,121</u>

Investment activity for the year ended August 31, 2021 is as follows:

Ending balance, August 31, 2020	\$ 526,231
Conversions to cash	(440,799)
Interest earned	2,689
Ending balance, August 31, 2021	<u>\$ 88,121</u>

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE E – FIXED ASSETS

Fixed assets at August 31, 2021 are comprised of the following:

Office equipment	\$ 1,292
Less: Accumulated depreciation	<u>(1,292)</u>
Total fixed assets, net	<u>\$ -</u>

Depreciation expense is \$27 for the year ended August 31, 2021.

NOTE F – INTANGIBLE ASSETS

Intangible assets at August 31, 2021 are comprised of the following:

Website redesign	\$ 27,008
Less: Accumulated amortization	<u>(19,806)</u>
Total intangible assets, net	<u>\$ 7,202</u>

Amortization expense is \$5,402 for the year ended August 31, 2021.

NOTE G – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off. The amount of paid time off liability at August 31, 2021 is \$71,312 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, 2021 is \$41,555.

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 and cash equivalents	\$ 3,115,486
Investments	88,121
Grants receivable	<u>1,167,625</u>
Total financial assets	<u>4,371,232</u>
Less:	
Net assets with purpose restrictions to be met in one year	<u>(1,418,349)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$2,952,883</u></u>
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ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE H – LIQUIDITY AND AVAILABILITY (Continued)

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 (PPP), 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. During the year ended August 31, 2021, the Organization received forgiveness of the first loan of \$225,000 as reflected in the accompanying statement of activities.

In March 2021, the Organization received \$237,900 through the PPP. The second loan carries an interest rate of 1% and becomes payable five years after issuance. The Organization sought formal forgiveness of the small business loan in the fiscal year ended August 31, 2022.

The Organization has accrued \$1,036 in interest payable at August 31, 2021 related to the loan payable.

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 between August 2020 and March 2021 and recognized \$23,275 in donated rent during the year ended August 31, 2021 in the accompanying statement of activities.

The Organization leased WeWork shared office space in Washington, D.C. through October 2020 at a rate of approximately \$1,750 per month. The Organization subleases space in Washington, D.C. through September 2022 at a rate of approximately \$6,000 per month.

Rental expense for the year ended August 31, 2021 is \$63,985. Future commitments under these leases as of August 31, are as follows:

<u>Year Ended</u>	
2022	\$ 147,396
2023	\$ 89,844
2024	\$ 86,365
2025	\$ 29,072

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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 – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended August 31, 2021, net assets with donor restrictions had the following activity:

<u>Nature of Restriction</u>	<u>Beginning Balance</u>	<u>Income and Contribution</u>	<u>Released from Restriction</u>	<u>Ending Balance</u>
Time	\$ 894,095	\$ 2,082,500	(\$1,906,094)	\$ 1,070,501
Specific purpose	427,995	450,000	(530,147)	347,848
Total	<u>\$1,322,090</u>	<u>\$2,532,500</u>	<u>(\$2,436,241)</u>	<u>\$1,418,349</u>

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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, 2021:

	Program	General and Administration	Fundraising	Total
<u>Personnel</u>				
Salaries and wages	\$ 881,513	\$ 78,487	\$ 180,553	\$ 1,140,553
Employee benefits	117,069	10,941	26,388	154,398
Payroll taxes	60,221	5,302	12,127	77,650
Total personnel	1,058,803	94,730	219,068	1,372,601
<u>Operations</u>				
Consultants and contractors	171,445	-	-	171,445
In-kind services	37,523	32,700	-	70,223
Occupancy	51,594	5,423	7,253	64,270
Other professional services	39,579	1,769	7,752	49,100
Donated rent	18,687	1,961	2,627	23,275
Accounting	-	23,063	-	23,063
Communication and IT	13,159	5,032	3,942	22,133
Office expenses	18,028	495	3,290	21,813
Conferences, conventions, and	6,812	-	134	6,946
Insurance	1,193	4,410	211	5,814
Partner expenses	5,550	-	-	5,550
Depreciation and amortization	-	5,429	-	5,429
Bank charges, taxes, and other fees	385	1,001	1,499	2,885
Travel	1,733	94	-	1,827
Other	-	903	-	903
Total operating	365,688	82,280	26,708	474,676
TOTAL EXPENSES	\$1,424,491	\$ 177,010	\$ 245,776	\$1,847,277

ACCOUNTABILITY COUNSEL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE N – PRIOR PERIOD ADJUSTMENT

During the year ended August 31, 2021, it was determined sabbatical leave had not been accrued over the vesting period of six years. As a result, the Organization reduced beginning net assets by \$116,435 for sabbatical leave earned through August 31, 2020. The effect of the adjustment reduced beginning net assets at September 1, 2020 by \$116,435 and created a sabbatical leave payable liability in the same amount.

NOTE O – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through February 25, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since August 31, 2021, that required recognition or disclosure in the financial statements.