

CENTER FOR JUSTICE & ACCOUNTABILITY

Financial Statements

For the Year Ended June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Center for Justice & Accountability
San Francisco, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Center for Justice & Accountability (CJA), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The management of CJA is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States. This includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 CJA'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 CJA's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CJA as of June 30, 2021, and the changes in its net assets, functional expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Year Summarized Financial Information

The financial statements of CJA as of and for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on these statements on November 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022 on our consideration of CJA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CJA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CJA's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
January 20, 2022

CENTER FOR JUSTICE & ACCOUNTABILITY

Statement of Financial Position

June 30, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,558,733	\$ 1,531,882
Grants and accounts receivable	304,729	369,179
Short-term investments	1,000,588	1,253,975
Prepaid expenses and other current assets	1,368	31,574
Total Current Assets	2,865,418	3,186,610
Property and Equipment:		
Leasehold improvements	30,376	30,376
Furniture and equipment	25,390	25,390
	55,766	55,766
Less accumulated depreciation	<u>(55,766)</u>	<u>(55,766)</u>
Property and Equipment, Net		
Grants receivable due after one year	250,000	25,000
Deposits	14,383	16,200
Total Assets	<u>\$ 3,129,801</u>	<u>\$ 3,227,810</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 21,876	\$ 17,051
Accrued compensation	107,295	55,587
Deferred revenue	5,119	257,646
Fiscal agent liability		8,058
Total Current Liabilities	134,290	338,342
Paycheck protection program loan	153,827	189,240
Total Liabilities	288,117	527,582
Net Assets:		
Without donor restrictions	2,330,796	2,149,340
With donor restrictions	510,888	550,888
Total Net Assets	2,841,684	2,700,228
Total Liabilities and Net Assets	<u>\$ 3,129,801</u>	<u>\$ 3,227,810</u>

See accompanying notes.

CENTER FOR JUSTICE & ACCOUNTABILITY

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support and Revenue:				
Foundation grants	\$ 12,123	\$ 850,000	\$ 862,123	\$ 155,000
Federal grants	772,923		772,923	488,255
Contributions	214,624		214,624	204,025
Fellowship revenue	125,495		125,495	1,325
Fundraising events	55,366		55,366	49,500
Investment income	3,873		3,873	50,614
Forgiveness of paycheck protection program loan	189,240		189,240	
Other income	192		192	12,997
Net assets released from restriction	890,000	(890,000)		
Total Support and Revenue	2,263,836	(40,000)	2,223,836	961,716
Expenses:				
Program services	1,406,470		1,406,470	1,143,693
General and administrative	484,502		484,502	452,446
Development and fundraising	191,408		191,408	194,410
Total Expenses Before Donated Services	2,082,380		2,082,380	1,790,549
Change in Net Assets Before Donated Services	181,456	(40,000)	141,456	(828,833)
Donated Services:				
Revenue	3,728,897		3,728,897	2,778,979
Expense	(3,728,897)		(3,728,897)	(2,778,979)
Change in Net Assets	181,456	(40,000)	141,456	(828,833)
Net assets, beginning of year	2,149,340	550,888	2,700,228	3,529,061
Net Assets, End of Year	\$ 2,330,796	\$ 510,888	\$ 2,841,684	\$ 2,700,228

See accompanying notes.

CENTER FOR JUSTICE & ACCOUNTABILITY

Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program	General and Administrative	Development and Fundraising	2021 Total	2020 Total
Salaries and wages	\$ 624,427	\$ 245,059	\$ 137,216	\$ 1,006,702	\$ 991,559
Employee benefits	85,109	59,959	22,788	167,856	132,317
Payroll taxes	52,053	12,600	11,126	75,779	70,108
Total salaries and related expenses	761,589	317,618	171,130	1,250,337	1,193,984
Consultant fees	571,068	49,466	9,097	629,631	260,751
Occupancy	3,835	68,664		72,499	110,869
Other	32,990	1,071	25	34,086	9,748
Dues, licenses and memberships	19,662	6,380	5,056	31,098	30,244
Insurance	3,614	21,717	331	25,662	21,206
Information technology	9,383	10,867	1,271	21,521	7,584
Office expenses	3,003	8,490	4,484	15,977	11,090
Printing and publications	856		14	870	2,312
Travel	400	229		629	137,942
Conferences, conventions and meetings	70			70	4,819
Total Expenses Before Donated Services	1,406,470	484,502	191,408	2,082,380	1,790,549
Donated Services	3,728,897			3,728,897	2,778,979
Total Expenses	\$ 5,135,367	\$ 484,502	\$ 191,408	\$ 5,811,277	\$ 4,569,528

See accompanying notes.

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Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 141,456	\$ (828,833)
Adjustments to reconcile change in net assets to net cash flows used in operating activities-		
Net gain on investments	4,491	7,936
Forgiveness of paycheck protection program loan	(189,240)	
Change in current assets and liabilities:		
Grants and accounts receivable	(160,550)	570,454
Prepaid expenses and other current assets	30,206	26,354
Deposits	1,817	
Accounts payable	4,825	(206)
Accrued compensation	51,708	1,900
Deferred revenue	(252,527)	257,646
Fiscal agent liability	(8,058)	(36,942)
Net Cash Used in Operating Activities	(375,872)	(1,691)
Cash Flows From Investing Activities:		
Purchases of investments	(2,000,091)	(4,533,813)
Sales of investments	2,248,987	5,321,902
Net Cash Provided by Investing Activities	248,896	788,089
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan	153,827	189,240
Net Cash Provided by Financing Activities	153,827	189,240
Net Change in Cash and Cash Equivalents	26,851	975,638
Cash and cash equivalents, beginning of year	1,531,882	556,244
Cash and Cash Equivalents, End of Year	\$ 1,558,733	\$ 1,531,882

See accompanying notes.

CENTER FOR JUSTICE & ACCOUNTABILITY

Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Nature of Activities

The Center for Justice & Accountability (CJA) is a nonprofit public benefit corporation, incorporated in Washington, D.C. in 1998, and registered as a foreign nonprofit corporation in California, where it has its central operations. The mission of CJA is to deter torture and other severe human rights abuses around the world and advance the rights of survivors to seek truth, justice and redress. CJA uses litigation and other legal mechanisms to hold perpetrators individually accountable for human rights abuses, develop human rights law, and advance the rule of law in countries transitioning from periods of abuse.

CJA integrates other innovative strategies to hold human rights abusers accountable. CJA pairs survivor-centered litigation with transitional justice projects, in which CJA works alongside lawyers and human rights defenders from impacted communities in joint case investigation and development. CJA engages in advocacy to ensure that there are legal remedies to hold human rights violators accountable, wherever they may be found.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, along with gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CJA and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to externally-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to externally-imposed restrictions that will be met either by action of CJA or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition From Grants, Contributions and Fellowship Revenue - Revenue from contributions is recorded when the pledge to CJA is made. Revenue from contribution-type grants is recognized during the period for which it was awarded to CJA. Revenue from governmental grants that contain certain conditions are recognized when the condition is met. At June 30, 2021, CJA had approximately \$1,982,000 in grants awarded where conditions had not yet been met.

CJA has awarded conditional grants to subrecipients related to performance of these government grants, which have outstanding commitments of up to approximately \$1,808,000 as of June 30, 2021.

Cash and Cash Equivalents - Cash and cash equivalents consist of amounts on hand and on deposit with a commercial bank and financial institution, available on demand. These amounts include monies in bank checking and money market accounts, 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.

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Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 2 - Continued

Grants and Accounts Receivable - Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances. CJA evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. At June 30, 2021 and 2020, CJA has determined that all receivables are fully collectible and therefore has not recorded an allowance for doubtful accounts.

Short-Term investments - Short-term investments consist of certificates of deposit which are stated at fair value. The certificates have interest rates ranging from 0.03% to 0.05% for 2021. CJA classifies certificates of deposit with an initial term of over 90 days as short-term investments.

Property and Equipment - Property and equipment consist of furniture, office equipment, computers, and leasehold improvements. CJA records property and equipment at cost or initially at fair value on the date of donation for contributed items. CJA expenses property and equipment with a cost or fair value under \$2,000 and the costs of maintenance and repairs that do not improve or extend the lives of the property and equipment. CJA computes depreciation using the straight-line method over the estimated useful lives of the property and equipment or the shorter remaining lease term for leasehold improvements. For the years ended June 30, 2021 and 2020, property and equipment was fully depreciated.

Donated Services - CJA receives donated services from various sources that meet the criteria for recognition under current accounting standards and are reflected in the accompanying consolidated financial statements at their fair values at the time of donation. Fair value is determined based on observable market prices for similar assets or the fee that would normally be paid had the services not been donated.

CJA partners with outside attorneys, law firms and investigative support firms to investigate and litigate cases on behalf of clients. These pro-bono partners donate time of attorneys and staff in addition to paying out of pocket expenses associated with the cases. CJA calculates the value of donated services using the hours spent, hourly rates and expense amounts provided by the pro-bono partners.

Risks and Concentrations - CJA manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be credit worthy. On occasion, CJA may have amounts deposited with a financial institution in excess of federally insured limits.

Receivables consist primarily of contributions and pledges due from governmental and corporate entities, foundations, and individuals. For the year ended June 30, 2021, 94% of CJA's receivables are from two donors. For the year ended June 30, 2020, 96% of CJA's receivables are from two donors.

For the year ended June 30, 2021, 55% of CJA's revenue came from five donors. For the year ended June 30, 2020, 69% of CJA's revenue came from three donors.

Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the value of an investment due to changes in conditions.

Tax Exemption Status - The Internal Revenue Service has determined that CJA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is reflected in these financial statements.

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Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 2 - Continued

Allocation of Functional Expenses - The costs of program activities and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of CJA. All expense categories, excluding donated services, have been allocated among the various functions benefited based upon personnel time records.

Prior Year Summarized Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances by classification, as previously reported.

Estimates - In preparing financial statements in conformity with U.S. GAAP, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates under different assumptions.

Subsequent Events - CJA has evaluated subsequent events through January 20, 2022, the date on which the financial statements were available to be issued.

Note 3 - Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are significant to the fair value measurement.

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**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 3 - Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Certificates of Deposit - Brokered certificates of deposit are valued using quoted market prices in active markets for similar instruments.

Fair values of CJA's short-term investments in certificates of deposits totaling \$1,000,588 and \$1,253,975 at June 30, 2021 and 2020, respectively, are determined using Level 2 inputs.

Note 4 - Grants and Accounts Receivable

Grants and accounts receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 304,729	\$ 369,179
Receivable in two to five years	<u>250,000</u>	<u>25,000</u>
Grants and Accounts Receivable	<u>\$ 554,729</u>	<u>\$ 394,179</u>

Note 5 - Employee Benefit Plan

CJA offers all of its employees a retirement plan under section 403(b) of the Internal Revenue Code. CJA matches two percent of employees' salary and wages. The employer match for the years ended June 30, 2021 and 2020 was \$15,511 and \$17,907, respectively.

Note 6 - Net Assets Without Donor Restrictions

Net assets without donor restrictions are as follows at June 30:

	<u>2021</u>	<u>2020</u>
Board-designated general operating reserve	\$ 435,000	\$ 435,000
Undesignated	<u>1,895,796</u>	<u>1,714,340</u>
Net Assets Without Donor Restrictions	<u>\$ 2,330,796</u>	<u>\$ 2,149,340</u>

The Board Designated Fund was funded by transferring certain released permanently restricted funds of \$200,000, with an additional \$235,000 from the undesignated net asset balance. Disbursements from the Fund must meet certain criteria and be approved by the Board.

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Notes to Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of \$510,888 and \$550,888 restricted for time for the years June 30, 2021 and 2020, respectively.

Net assets released from a time restrictions totaled \$890,000 for the year ended June 30, 2021.

Note 8 - Commitments

Commitments - CJA leases office space in San Francisco under terms of an operating lease through November 2022. Future commitments associated with the lease for the years ending June 30, 2022 and 2023 are \$37,082 and \$15,700, respectively.

Rent expense for the years ended June 30, 2021 and 2020 was \$61,808 and \$108,956, respectively.

Note 9 - Liquidity and Availability of Financial Assets

CJA has a goal to maintain financial assets, which consist of cash and equivalents, grants and accounts receivable, and short-term investments, on hand to meet 60 days of normal operating expenses. CJA structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets-		
Cash and cash equivalents	\$ 1,558,733	\$ 1,531,882
Grants and accounts receivable due within one year	304,729	369,179
Short-term investments	<u>1,000,588</u>	<u>1,253,975</u>
Total financial assets	2,864,050	3,155,036
Less amounts not available to meet general expenditures-		
Board designated funds	<u>(435,000)</u>	<u>(435,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,429,050</u>	<u>\$ 2,720,036</u>

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**Notes to Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 10 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. In May 2020, CJA obtained a loan under the PPP with a principal balance of \$189,240 and an annual interest rate of 1%. CJA's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the gain from forgiveness when the loan is forgiven by the lender. During the year ended June 30, 2021, CJA received full forgiveness of this loan and recognized the related loan forgiveness revenue.

In April 2021, CJA received a second loan under the PPP program for \$153,827 with an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning in 2022 through maturity on April 22, 2026. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. CJA expects to meet the PPP's eligibility criteria and has applied for forgiveness. Subsequent to year end, in December 2021, CJA received notice that loan forgiveness was granted by the lender. The forgiveness is pending review by the Small Business Administration.