

H E A L Y A N D A S S O C I A T E S

C E R T I F I E D P U B L I C A C C O U N T A N T

CENTER FOR JUSTICE AND ACCOUNTABILITY
(A NONPROFIT ORGANIZATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016)

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INDEPENDENT AUDITOR'S REPORT

October 2, 2017

Board of Directors
Center for Justice and Accountability
San Francisco, California

I have audited the financial statements of Center for Justice and Accountability (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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

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.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, June 30, 2017, 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.

Other Matters

Supplemental Information

The Supplemental Statement of Activities for the United Nations Voluntary Fund for Victims of Torture for the year ended June 30, 2017 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Summarized Comparative Information

The Center for Justice and Accountability's 2016 financial statements were audited by me, and I expressed an unmodified audit opinion on those audited financial statements in their report dated August 17, 2016. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Healy and Associates

Healy and Associates
Concord, California

CENTER FOR JUSTICE AND ACCOUNTABILITY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	June 30	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note B)	\$ 470,707	\$ 442,720
Grants and accounts receivable	412,905	884,202
Investments (Note C)	876,055	775,000
Prepaid expenses	37,222	33,460
TOTAL CURRENT ASSETS	1,796,889	2,135,382
Fixed assets, net (Note D)	12,150	18,995
Restricted investments	-	199,538
Deposits	16,200	16,200
TOTAL ASSETS	\$ 1,825,239	\$ 2,370,115
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 55,766	\$ 54,470
TOTAL CURRENT LIABILITIES	55,766	54,470
TOTAL LIABILITIES	55,766	54,470
COMMITMENTS AND CONTINGENCIES (Note I)		
NET ASSETS		
Unrestricted		
General	734,886	1,036,478
Board designated (Note F)	435,000	-
Temporarily restricted (Note G)	599,587	1,079,167
Permanently restricted	-	200,000
TOTAL NET ASSETS	1,769,473	2,315,645
TOTAL LIABILITIES AND NET ASSETS	\$ 1,825,239	\$ 2,370,115

CENTER FOR JUSTICE AND ACCOUNTABILITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Year Ended June 30	
				2017	2016
<u>SUPPORT AND REVENUE</u>					
Foundations grants	\$ -	\$ 366,500	\$ -	\$ 366,500	\$ 1,237,000
United Nations grant		20,000		20,000	\$ 20,000
Corporate grants	2,280			2,280	9,111
Contributions	271,320			271,320	176,226
Fundraising events	220,812			220,812	298,336
Interest income	4,681			4,681	3,315
Miscellaneous income	562			562	108
Unrealized gain (loss)	24,473			24,473	(3,964)
In-Kind services and goods (Note H)	4,271,653			4,271,653	4,393,283
Net assets released from restriction	1,066,080	(866,080)	(200,000)	-	-
Total Support and Revenue	5,861,861	(479,580)	(200,000)	5,182,281	6,133,415
<u>EXPENSES</u>					
Program	5,260,238			5,260,238	5,512,777
General and administrative	244,809			244,809	224,909
Fundraising	222,583			222,583	173,568
Lobbying	823			823	-
Total Expenses	5,728,453	-	-	5,728,453	5,911,254
Change in net assets	133,408	(479,580)	(200,000)	(546,172)	222,161
NET ASSETS, beginning of year	1,036,478	1,079,167	200,000	2,315,645	2,093,484
NET ASSETS, end of year	\$ 1,169,886	\$ 599,587	\$ -	\$ 1,769,473	\$ 2,315,645

CENTER FOR JUSTICE AND ACCOUNTABILITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	Program	General and Administrative	Fundraising	Lobbying	Total All Funds Year Ended June 30	
					2017	2016
Salaries and wages	\$ 579,915	\$ 116,973	\$ 116,360	\$ 572	\$ 813,820	\$ 853,945
Payroll taxes	42,206	10,583	8,346	37	61,172	64,151
Employee benefits	74,432	20,643	14,073	44	109,192	97,016
Total salaries and related expenses	696,553	148,199	138,779	653	984,184	1,015,112
Pro bono - consultant and legal fees	4,113,892	34,159	-	-	4,148,051	4,191,188
Pro bono - expenses	116,642	-	6,960	-	123,602	202,095
Travel and meals	90,528	6,874	17,375	71	114,848	100,178
Occupancy	80,943	16,327	16,241	80	113,591	111,870
Event expenses	30,529	-	30,529	-	61,058	64,842
Consultant fees	48,138	10,276	1,450	-	59,864	121,800
Legal expenses	31,110	-	-	-	31,110	10,005
Office expenses	14,400	9,345	5,365	-	29,110	24,751
Information technology	11,484	2,316	2,304	12	16,116	17,530
Conferences, conventions and meetings	4,892	5,963	1,382	-	12,237	8,496
Insurance	7,118	1,436	1,428	7	9,989	7,667
Printing and publications	8,162	404	770	-	9,336	16,415
Depreciation	-	6,845	-	-	6,845	7,613
Dues, licenses and memberships	5,847	-	-	-	5,847	7,958
Miscellaneous	-	2,665	-	-	2,665	3,734
TOTAL EXPENSES	\$ 5,260,238	\$ 244,809	\$ 222,583	\$ 823	\$ 5,728,453	\$ 5,911,254

CENTER FOR JUSTICE AND ACCOUNTABILITY**STATEMENT OF CASH FLOWS****YEAR ENDED JUNE 30, 2017****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	Year Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (546,172)	\$ 222,161
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Unrealized loss (gain)	(24,473)	3,964
Depreciation	6,845	7,613
CHANGES IN ASSETS AND LIABILITIES:		
Accounts receivable	471,297	(327,170)
Prepaid expenses	(3,762)	(16,172)
Accounts payable and accrued expenses	1,296	(7,305)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(94,969)	(116,909)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for fixed assets	-	(2,307)
(Increase) in investments, net	122,956	(752,855)
NET CASH USED BY INVESTING ACTIVITIES	122,956	(755,162)
NET INCREASE (DECREASE) IN CASH	27,987	(872,071)
CASH, beginning of year	442,720	1,314,791
CASH, end of year	<u>\$ 470,707</u>	<u>\$ 442,720</u>

CENTER FOR JUSTICE AND ACCOUNTABILITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE A – NATURE OF ACTIVITIES

The Center for Justice and Accountability (the Organization) is a nonprofit public benefit corporation, incorporated in Washington, DC in 1998, and registered as a foreign nonprofit corporation in California, where it has its central operations. The mission of the Organization 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. The Organization 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.

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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Financial statement presentation follows the guidance of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this standard, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization had no permanently restricted net assets at June 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments 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.

Concentration of Credit

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts, and the liquidity of the financial institution is monitored by Management. Cash and cash equivalents exceeding insured limits totaled \$0 and \$3,717 at June 30, 2017 and 2016, respectively.

CENTER FOR JUSTICE AND ACCOUNTABILITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Credit Policies

The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. At June 30, 2017, the Organization has determined that all receivables are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

Fixed Assets

Fixed asset additions are recorded at cost, or if donated, at fair value on the date of donation. Significant property and equipment purchases in excess of \$2,000 are capitalized and depreciated over their respective useful lives which range from three to five years. Depreciation is computed on 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.

Fair Value Measurements

The Organization's financial instruments include cash, cash equivalents, and certificates of deposit. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. ASC 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The Organization measured the fair value of their investments using Level 1, 2, and 3 inputs. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

CENTER FOR JUSTICE AND ACCOUNTABILITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status

The Organization has received 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 no unrelated business income, and Management has analyzed tax positions taken and has concluded that, as of June 30, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. In accordance with ASC 958, grants and contributions received are recorded as unrestricted or temporarily restricted depending on the existence and nature of grantor restrictions. Contributions are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, or donor restrictions are satisfied by the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Donated Services and In-Kind Contributions

Donated professional services and contributions are recorded at the respective fair values of the services received. See Note H for further discussion.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements 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 the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based upon personnel time records.

CENTER FOR JUSTICE AND ACCOUNTABILITY**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2017****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)****NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Comparative Financial Information and Reclassifications**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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 or conditions.

NOTE C – INVESTMENTS

The Organization holds investments at financial institutions and the Marin Community Foundation (MCF). The composition and fair value of investments at June 30, 2017 is as follows:

		<u>Fair Value Measurements Using</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Short Term Investments</u>				
Funds held by MCF:				
Unrestricted funds	\$ 22,304	\$ -	\$ -	\$ 22,304
Board designated funds	200,000	-	-	200,000
Funds held at financial institutions:				
Equities	3,751	3,751	-	-
Certificates of Deposit	650,000	-	650,000	-
Total Investments	<u>\$ 876,055</u>	<u>\$ 3,751</u>	<u>\$ 650,000</u>	<u>\$ 222,304</u>

CENTER FOR JUSTICE AND ACCOUNTABILITY**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2017****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

NOTE D – FIXED ASSETS

Fixed assets at June 30, consist of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 30,376	\$ 30,376
Furniture and equipment	25,390	25,390
Less: accumulated depreciation	<u>(43,616)</u>	<u>(36,771)</u>
Total fixed assets, net	<u>\$ 12,150</u>	<u>\$ 18,995</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$6,845 and \$7,613, respectively.

NOTE E – EMPLOYEE BENEFITS

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The value of accumulated vacation at June 30, 2017 and 2016 is \$42,085 and \$46,570, respectively, and is reflected in the accrued expenses in the accompanying financial statements. Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the Organization since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period sick leave is taken. The Organization offers all of its employees a 403(b) pension plan with no match.

NOTE F – BOARD DESIGNATED FUND

During the year ended June 30, 2017, the Board of Directors created the Board Designated Fund. It was funded by transferring the released permanently restricted funds of \$200,000 and with an additional \$235,000 from their net asset reserve. Disbursements from the fund must meet certain criteria and be approved by the Board. Board designated net assets consist of the following at June 30, 2017:

Board designated net assets, beginning of year	\$ -
Release of permanent restrictions	200,000
Transfer of funds to board designated	<u>235,000</u>
Board designated net assets, end of year	<u>\$ 435,000</u>

CENTER FOR JUSTICE AND ACCOUNTABILITY**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2017****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at June 30, 2017 consist of the following:

Torture survivors	\$ 10,000
Cambodia	79,920
Operations	509,667
	<u>\$ 599,587</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows during the year ended June 30, 2017:

	<u>2017</u>	<u>2016</u>
Torture survivors	\$ 20,000	\$ 10,000
Cambodia	70,080	-
General operations	776,000	1,069,167
	<u>\$866,080</u>	<u>\$1,079,167</u>

NOTE H – IN-KIND CONTRIBUTIONS

The Organization partners with outside attorneys, law firms, and investigative support firms to investigate and litigate cases on behalf of clients. The pro-bono partners donate their time of attorneys and staff in addition to paying out of pocket expenses associated with the cases. The Organization calculates the value of donated services using the hourly rates provided by the pro-bono partners. Further, the Organization receives donations of facilities, supplies, and goods valued at the time of donation throughout the year. In-kind contributions were comprised of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Pro bono services	\$ 4,148,051	\$ 4,191,188
Professional out-of-pocket expenses	123,602	202,095
Total In-Kind Contributions	<u>\$ 4,271,653</u>	<u>\$ 4,393,283</u>

CENTER FOR JUSTICE AND ACCOUNTABILITY**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2017****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

NOTE I – COMMITMENTS AND CONTINGENCIES**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. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

Commitments

The Organization leases office space in San Francisco through November 2019 at a minimum lease payment rate of \$10,513. Rent expense for the years ended June 30, 2017 and 2016 was \$113,591 and \$111,108 respectively. Future commitments associated with the lease are as follows:

<u>Year Ended June 30</u>	
2018	\$111,961
2019	\$112,497
2020	\$ 47,345

NOTE J – SUBSEQUENT EVENTS

Subsequent to year end, the Organization received an extraordinary unrestricted contribution in the amount of \$2,000,000.

The Organization has evaluated subsequent events through October 2, 2017 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these financial statements.

SUPPLEMENTARY INFORMATION

CENTER FOR JUSTICE AND ACCOUNTABILITY
STATEMENT OF ACTIVITIES
UNITED NATIONS VOLUNTARY FUND FOR VICTIMS OF TORTURE
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>
Grant award	<u>\$ 30,000</u>	<u>\$ 20,000</u>
Case costs	10,000	6,000
Salaries (legal)	<u>20,000</u>	<u>14,000</u>
Total Expenses	<u>30,000</u>	<u>20,000</u>
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements