



The Center for Justice & Accountability

Financial Statements

For the year ended June 30, 2018

with

Report of Independent Auditors

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH
SHIRLEY CHEN-BLUM

Report of Independent Auditors

To the Board of Directors of the Center of Justice & Accountancy

We have audited the accompanying financial statements of the Center of Justice & Accountancy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Responsibility of Management for the Financial Statements

The management of the Center of Justice & Accountancy 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 internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditors

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted the audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 we select depend on our judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of 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 the management of the Center of Justice & Accountancy, and 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 the audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Center of Justice & Accountancy as of June 30, 2018, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Prior year summarized financial information

Other independent accountants audited the financial statements of the Center of Justice & Accountancy as of and for the year ended June 30, 2017 and, in their report dated October 2, 2017, they expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which the management of the Center of Justice & Accountancy derived it.

Wilson Markle Stuckey Hardesty & Bott
Wilson Markle Stuckey Hardesty & Bott, LLP
Larkspur, California
November 1, 2018

Center for Justice & Accountability
Statement of Financial Position
As of June 30, 2018
with summarized financial information as of June 30, 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 929,705	\$ 470,707
Grants and accounts receivable	534,475	412,905
Short term investments	2,400,000	876,055
Prepaid expenses	<u>49,973</u>	<u>37,222</u>
Total current assets	3,914,153	1,796,889
Property and equipment		
Leasehold improvements	30,376	30,376
Furniture and equipment	<u>25,390</u>	<u>25,390</u>
	55,766	55,766
Less accumulated depreciation	<u>(49,691)</u>	<u>(43,616)</u>
Property and equipment, net	6,075	12,150
Deposits	<u>16,200</u>	<u>16,200</u>
Total assets	<u><u>\$ 3,936,428</u></u>	<u><u>\$ 1,825,239</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 114,042</u>	<u>\$ 55,766</u>
Total current liabilities	114,042	55,766
Commitments and contingencies		
Net assets		
Unrestricted		
General	2,466,634	734,886
Board-designated	<u>435,000</u>	<u>435,000</u>
Total unrestricted	2,901,634	1,169,886
Temporarily restricted	<u>920,752</u>	<u>599,587</u>
Total net assets	<u>3,822,386</u>	<u>1,769,473</u>
Total liabilities and net assets	<u><u>\$ 3,936,428</u></u>	<u><u>\$ 1,825,239</u></u>

See accompanying notes.

Center for Justice & Accountability
Statement of Activities
For the year ended June 30, 2018
with summarized financial information for the year ended June 30, 2017

	Unrestricted	Temporarily restricted	Totals	
			2018	2017
Support and revenue				
Foundation grants	\$ 38,500	\$ 1,172,010	\$ 1,210,510	\$ 366,500
United Nations grant	-	20,000	20,000	20,000
Corporate support	6,942	-	6,942	2,280
Contributions	2,221,907	-	2,221,907	210,262
In-kind services	7,159,612	-	7,159,612	4,271,653
Fundraising events, net of expenses of \$67,159	171,566	-	171,566	220,812
Investment income	42,804	-	42,804	29,154
Other income	17,407	-	17,407	562
Net assets released from restriction	870,845	(870,845)	-	-
Total Support and revenue	10,529,583	321,165	10,850,748	5,121,223
Expenses				
Program	8,298,962	-	8,298,962	5,229,709
General and administrative	211,504	-	211,504	244,809
Development and fundraising	287,369	-	287,369	192,877
Total expenses	8,797,835	-	8,797,835	5,667,395
Changes in net assets	1,731,748	321,165	2,052,913	(546,172)
Net assets, beginning of year	1,169,886	599,587	1,769,473	2,315,645
Net assets, end of year	\$ 2,901,634	\$ 920,752	\$ 3,822,386	\$ 1,769,473

See accompanying notes.

Center for Justice & Accountability
Statement of Activities
For the year ended June 30, 2018
with summarized financial information for the year ended June 30, 2017

	Program	General and administrative	Development and fundraising	Totals	
				2018	2017
Salaries and wages	\$ 641,822	\$ 115,351	\$ 161,586	\$ 918,759	\$ 813,820
Payroll taxes	45,986	10,438	11,049	67,473	61,172
Employee benefits	81,675	25,368	26,573	133,616	109,192
Total salaries and related expenses	769,483	151,157	199,208	1,119,848	984,184
Pro bono - consultant and legal fees	7,110,955	752	1,224	7,112,931	4,148,051
Pro bono - expenses	46,681	-	-	46,681	123,602
Travel	120,851	2,833	25,031	148,715	114,848
Occupancy	78,500	14,424	23,945	116,869	113,591
Consultant fees	61,414	13,026	9,011	83,451	59,864
Legal expenses	55,487	-	-	55,487	31,110
Office expenses	10,225	17,529	24,168	51,922	29,110
Information technology	15,525	-	-	15,525	16,116
Conferences, conventions and meetings	2,425	2,165	939	5,529	12,237
Insurance	7,070	1,299	2,157	10,526	9,989
Printing and publications	8,331	-	-	8,331	9,336
Depreciation	-	6,075	-	6,075	6,845
Dues, licenses and memberships	9,106	2,244	1,686	13,036	5,847
Other	2,909	-	-	2,909	2,665
Total expenses	<u>\$ 8,298,962</u>	<u>\$ 211,504</u>	<u>\$ 287,369</u>	<u>\$ 8,797,835</u>	<u>\$ 5,667,395</u>

See accompanying notes.

Center for Justice & Accountability
Statement of Cash Flows
Year ended June 30, 2018
with summarized financial information for the year ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 2,052,913	\$ (546,172)
Adjustments to reconcile change in net assets to cash flows provided (used) by operating activities:		
Depreciation	6,075	6,845
Changes in current assets and liabilities		
Grants and accounts receivable	(121,570)	471,297
Prepaid expenses	(12,751)	(3,762)
Accounts payable and accrued expenses	<u>58,276</u>	<u>1,296</u>
Net cash provided (used) by operating activities	1,982,943	(70,496)
Cash flows from investing activities		
Decrease (increase) in investments, net	<u>(1,523,945)</u>	<u>98,483</u>
Increase in cash and cash equivalents	458,998	27,987
Cash and cash equivalents, beginning of year	<u>470,707</u>	<u>442,720</u>
Cash and cash equivalents, end of year	<u><u>\$ 929,705</u></u>	<u><u>\$ 470,707</u></u>

See accompanying notes.

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 1 – Nature of activities

The Center for Justice & Accountability (CJA) is a non-profit public benefit corporation, incorporated in Washington, D.C. in 1998, and registered as a foreign non-profit 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 in-country prosecutors to hold human rights abusers criminally accountable in national courts. CJA engages in policy advocacy to ensure that there are civil and criminal remedies to hold human rights criminals accountable around the globe.

Note 2 – Summary of significant accounting policies

Basis of accounting

The accounting records of CJA are maintained on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States. Financial statement presentation follows the guidance of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this standard, CJA is requested to report on information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. CJA had no permanently restricted net asset as of June 30, 2018 or 2017.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with a commercial bank, 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.

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

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. At times during the year, amounts on deposit may exceed insured limits.

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.

Receivables and credit policies

Receivables consist principally contributions and pledges due from governmental and corporate entities, foundations and individuals. CJA evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. At June 30, 2018, CJA has determined that all receivables are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

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.

Fair value

CJA'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

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

Fair value (continued)

Value Measurement”, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. CJA 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.

Tax exemption status

In letters to CJA, the Internal Revenue Service and California Franchise Tax Board have stated that CJA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California bank and corporation taxes under Section 23701(d) of the California Revenue and Taxation Code, respectively. In addition, CJA qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as a publicly supported organization as described in IRC Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law.

The management of CJA believes that no activities of CJA jeopardized its exemption from income taxes or classification as a “public charity,” or subject it to unrelated business income or excise taxes. Accordingly, CJA did not provide for income taxes.

Management of CJA considers certain tax positions taken by CJA. A tax position is a position taken in a previously filed tax return or a position the management of CJA expects to take in a future tax return that figures in measuring current or deferred income tax assets and liabilities for interim or annual periods. A tax position can result in a permanent reduction in income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

Tax exempt status (continued)

of deferred tax assets. A tax position also encompasses, but is not limited to, a decision to classify a transaction, entity or other position in a tax return as tax exempt and the status of an entity, including its status as a pass-through or tax-exempt entity.

CJA files tax returns with the Internal Revenue Service and the Franchise Tax Board. As of June 30, 2018, open tax periods subject to future examination by taxing authorities cover periods from July 1, 2014 through June 30, 2018.

Net assets

Net assets include cumulative unrestricted, temporarily restricted and permanently restricted net assets, net of cumulative expenses. Unrestricted net assets consist of revenue and support not restricted to a particular purpose or time by the donor, net of expenses. Temporarily restricted net assets consist of support restricted by the donor to a particular purpose or time. Temporarily restricted net assets become unrestricted net assets when CJA meets the donor purpose or time restriction. Permanently restricted net assets consist of support restricted by the donor for CJA to hold permanently, allowing for use of only the revenue generated by investing the support.

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. Grants and contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and nature of donor restrictions. Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the contributed assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, or the 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. Donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

Donated services and in-kind contributions

Donated professional services and contributions are recorded at the respective fair values of the services received.

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. Such expenses which are common to multiple functions 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, 2017, from which the summarized information was derived.

Reclassification of certain amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification netted the cost of fundraising events against the related revenue and, accordingly, had no impact on previously reported net assets.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management must make estimates

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

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.

Note 3 – Short term investments

Short term investments consist of certificates of deposit paying interest at rates ranging from 1.65% to 2.40% and maturing from July 2018 to July 2019. CJA classifies certificates of deposit with an initial term of over 90 days as short-term investments.

In accordance with ASC 820-10, "Fair Value Measurement", short term investments are defined as Level 2.

Note 4 – Retirement plan

Accumulated unpaid employee vacation benefits are recognized as liabilities of CJA. The value of accumulated vacation at June 30, 2018 is \$50,756, 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 CJA since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period sick leave is taken.

CJA offers all of its employees a pension plan under section 403(b) of the Internal Revenue Code. CJA matches a portion of employee elective contributions. The employer match for the year ended June 30, 2018 totaled \$8,576.

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 5 – Board designated fund

During the year ended June 30, 2017, the Board of Directors created the Board Designated Fund. It was funded by transferring certain released permanently restricted funds of \$200,000 and with an additional \$235,000 from the unrestricted net asset balance. Disbursements from the Fund must meet certain criteria and be approved by the Board. Board designated net assets total \$435,000 as of June 30, 2018.

Note 6 – Temporarily restricted net assets

Temporarily restricted net assets reconcile as follows for the year ended June 30, 2018

	June 30, <u>2017</u>	<u>Additions</u>	<u>Releases</u>	June 30, <u>2018</u>
Program restrictions -				
Torture survivors -				
United Nations Voluntary				
Fund for Victims of Torture	\$ 10,000	\$ 20,000	\$ (20,000)	\$ 10,000
Cambodia -				
Pro Victimis Foundation	79,920	-	(62,501)	17,419
Yazidi genocide -				
Jacob Blaustein Institute	-	22,000	(12,000)	10,000
Time restrictions				-
Anonymous	166,667	750,010	(208,344)	708,333
Stewart Mott Foundation	10,000	-	(10,000)	-
Oak Foundation	325,000	100,000	(400,000)	25,000
Foundation to Support				
Open Society	-	300,000	150,000	150,000
Samuel Rubin Foundation	8,000	-	(8,000)	-
	<u>\$ 599,587</u>	<u>\$ 1,192,010</u>	<u>\$ (870,845)</u>	<u>\$ 920,752</u>

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 7 – In-kind contributions

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.

Note 8 – Commitments and contingencies

Contingencies

Grant awards generally require the fulfillment of certain conditions. Failure to fulfill the conditions could result in the return of the funds to the grantors. CJA deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of CJA to the provisions of the grants. CJA's management is of the opinion that CJA has complied with the terms of all grants.

Commitments

CJA leases office space in San Francisco under terms of an operating lease through October 2019. Rent expense for the year ended June 30, 2018 was \$116,869. Future commitments associated with the lease amount to \$111,625 for the year ending June 30, 2019 and \$37,208 for the year ending June 30, 2020.

Note 9 – Concentration

A contribution from a single donor in the amount of \$2,000,000 during the year ended June 30, 2018 comprised approximately 18% of total revenue and support for the year.

Center for Justice & Accountability

June 30, 2018

Notes to Financial Statements

Note 10 – Subsequent events

CJA has evaluated subsequent events through November 1, 2018 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2018, have been incorporated into these financial statements.