



The Center for
Justice & Accountability

Financial Statements

For the year ended June 30, 2020

with

Report of Independent Auditors



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Report of Independent Auditors

To the Board of Directors of the Center for Justice & Accountability

We have audited the accompanying financial statements of the Center for Justice & Accountability (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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.

Responsibility of Management for the Financial Statements

The management of the Center for Justice & Accountability 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.

Responsibility of the Auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted the audit in accordance with auditing standards generally accepted in 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 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 for Justice & Accountability, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Center for Justice & Accountability as of June 30, 2020, 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

We have previously audited the financial statements of the Center for Justice & Accountability as of and for the year ended June 30, 2019 and, in our report dated October 2, 2019, we 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, 2019, is consistent, in all material respects, with the audited financial statements from which the management of the Center for Justice & Accountability derived it.

WMB2

WMB2, LLP
Larkspur, California
November 17, 2020

Center for Justice & Accountability
Statement of Financial Position
As of June 30, 2020
with summarized financial information as of June 30, 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,531,882	\$ 556,244
Grants and accounts receivable	369,179	664,633
Short term investments	1,253,975	2,050,000
Prepaid expenses and other current assets	31,574	57,928
Total current assets	3,186,610	3,328,805
Property and equipment		
Leasehold improvements	30,376	30,376
Furniture and equipment	25,390	25,390
	55,766	55,766
Less accumulated depreciation	(55,766)	(55,766)
Property and equipment, net	-	-
Grants receivable due after one year	25,000	300,000
Deposits	16,200	16,200
Total assets	\$ 3,227,810	\$ 3,645,005
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 17,051	\$ 17,257
Accrued compensation	55,587	53,687
Deferred revenue	257,646	-
Fiscal agent liability	8,058	45,000
Small Business Administration, Paycheck Protection Program, forgivable loan	189,240	-
Total current liabilities	527,582	115,944
Commitments and contingencies		
Net assets		
With donor restrictions	550,888	1,090,416
Without donor restrictions		
General	1,714,340	2,003,645
Board-designated	435,000	435,000
Total without donor restrictions	2,149,340	2,438,645
Total net assets	2,700,228	3,529,061
Total liabilities and net assets	\$ 3,227,810	\$ 3,645,005

See accompanying notes.

Center for Justice & Accountability
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2020
with summarized financial information for the year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Totals	
			2020	2019
Support and revenue				
Foundation grants	\$ 50,000	\$ 105,000	\$ 155,000	\$ 982,500
Federal contracts	488,255	-	488,255	43,911
Contributions	188,553	15,472	204,025	412,843
In-kind services	2,778,979	-	2,778,979	5,988,330
Fundraising events, net of expenses	49,500	-	49,500	20,504
Investment income	50,614	-	50,614	46,808
Other income	14,322	-	14,322	17,160
Net assets released from restriction	660,000	(660,000)	-	-
Total support and revenue	4,280,223	(539,528)	3,740,695	7,512,056
Expenses				
Program	3,922,174	-	3,922,174	7,157,319
General and administrative	452,944	-	452,944	365,039
Development and fundraising	194,410	-	194,410	283,023
Total expenses	4,569,528	-	4,569,528	7,805,381
Changes in net assets	(289,305)	(539,528)	(828,833)	(293,325)
Net assets, beginning of year	2,438,645	1,090,416	3,529,061	3,822,386
Net assets, end of year	<u>\$ 2,149,340</u>	<u>\$ 550,888</u>	<u>\$ 2,700,228</u>	<u>\$ 3,529,061</u>

See accompanying notes.

Center for Justice & Accountability
Statement of Functional Expenses
For the year ended June 30, 2020
with summarized financial information for the year ended June 30, 2019

	Program	General and administrative	Development and fundraising	Totals	
				2020	2019
Salaries and wages	\$ 558,806	\$ 300,009	\$ 132,744	\$ 991,559	\$ 1,014,146
Payroll taxes	42,372	17,541	10,195	70,108	76,309
Employee benefits	78,841	30,903	22,573	132,317	156,617
Total salaries and related expenses	680,019	348,453	165,512	1,193,984	1,247,072
Pro bono - consultant and legal fees	2,724,886	498	-	2,725,384	5,598,565
Pro bono - expenses	53,595	-	-	53,595	389,765
Travel	125,991	10,335	1,616	137,942	148,552
Occupancy	73,869	25,000	12,000	110,869	121,518
Consultant fees	236,458	18,191	6,102	260,751	200,029
Office expenses	1,724	8,401	965	11,090	12,041
Information technology	1,922	5,662	-	7,584	18,547
Conferences, conventions and meetings	1,051	3,417	351	4,819	4,712
Insurance	-	21,206	-	21,206	12,155
Printing and publications	668	677	967	2,312	7,116
Depreciation	-	-	-	-	6,075
Dues, licenses and memberships	21,991	1,388	6,865	30,244	34,427
Other	-	9,716	32	9,748	4,807
Total expenses	\$ 3,922,174	\$ 452,944	\$ 194,410	\$ 4,569,528	\$ 7,805,381

See accompanying notes.

Center for Justice & Accountability
Statement of Cash Flows
Year ended June 30, 2020
with summarized financial information for the year ended June 30, 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (828,833)	\$ (293,325)
Adjustments to reconcile change in net assets to cash flows used by operating activities:		
Depreciation	-	6,075
Changes in current assets and liabilities		
Grants and accounts receivable	570,454	(430,158)
Prepaid expenses and other current assets	26,354	(7,955)
Accounts payable	(206)	(46,028)
Accrued compensation	1,900	2,930
Deferred revenue	257,646	-
Fiscal agent liability	(36,942)	45,000
Net cash used by operating activities	(9,627)	(723,461)
Cash flows from investing activities		
Decrease in investments, net	796,025	350,000
Cash flows from financing activities		
Small Business Administration, Paycheck Protection Program, forgivable loan	189,240	-
Increase (decrease) in cash and cash equivalents	975,638	(373,461)
Cash and cash equivalents, beginning of year	556,244	929,705
Cash and cash equivalents, end of year	\$ 1,531,882	\$ 556,244

See accompanying notes.

Center for Justice & Accountability

June 30, 2020

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 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 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.

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.

Center for Justice & Accountability

June 30, 2020

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 of 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, 2020, 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.

Center for Justice & Accountability
June 30, 2020
Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

Fair value (continued)

ASC 820-10, "Fair 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 subjected CJA to unrelated business income or excise taxes. Accordingly, CJA did not provide for income taxes.

CJA files tax returns with the Internal Revenue Service and the Franchise Tax Board. As of June 30, 2020, open tax periods subject to future examination by taxing authorities cover periods from July 1, 2016 through June 30, 2020.

Center for Justice & Accountability
June 30, 2020
Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

Net assets

CJA is required to report information regarding its financial position and activities according to two classes of net assets: those with donor restriction and those without donor restriction.

Revenue recognition

Contributions are recognized when cash, securities, 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 classified depending on the existence and nature of donor restrictions. Contributions are recorded as donor restricted 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, net assets with donor restrictions are reclassified to those without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Center for Justice & Accountability

June 30, 2020

Notes to Financial Statements

Note 2 – Summary of significant accounting policies (continued)

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, 2019, 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.

Estimates

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

Note 3 – Short term investments

Short term investments consist of certificates of deposit paying interest at rates ranging from 0.15% to 1.60% and maturing from December 2020 to June 2021. 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.

Center for Justice & Accountability

June 30, 2020

Notes to Financial Statements

Note 4 – 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 5 – Employee benefit plans

Accumulated unpaid employee vacation benefits are recognized as liabilities of CJA. The value of accumulated vacation at June 30, 2020 is \$55,587, and is reflected as accrued compensation 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, 2020 totaled \$17,907.

Note 6 – Board designated fund

During the year ended June 30, 2018, 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, 2020.

Center for Justice & Accountability
 June 30, 2020
 Notes to Financial Statements

Note 7 – Net assets with donor restrictions

Net assets with donor restrictions reconcile as follows for the year ended June 30, 2020

	June 30, <u>2019</u>	<u>Additions</u>	<u>Releases</u>	June 30, <u>2020</u>
Time restricted				
Wellspring Advisors LLC	\$ 458,333	\$ -	\$ (250,000)	\$ 208,333
Stewart Mott Foundation	5,000	-	(5,000)	-
Oak Foundation	625,000	100,000	(400,000)	325,000
Samuel Rubin Foundation	2,083	5,000	(5,000)	2,083
Other	-	15,472	-	15,472
	<u>\$ 1,090,416</u>	<u>\$ 120,472</u>	<u>\$ (660,000)</u>	<u>\$ 550,888</u>

Note 8 – Commitments and contingencies

Contingencies

Grant and contract awards generally require the fulfillment of certain conditions. Failure to fulfill the conditions could result in the return of the funds to the grantors or contracting agency. 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 funding. CJA's management is of the opinion that CJA has complied with the terms of all grants and contracts.

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 are: 2021- \$53,008, 2022 - \$28,260 and 2023 - \$9,420.

Rent expense for the year ended June 30, 2020 was \$108,956.

Center for Justice & Accountability
June 30, 2020
Notes to Financial Statements

Note 9 – Subsequent events

CJA has evaluated subsequent events through November 17, 2020, which is the date these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in such financial statements.

Note 10 - Liquidity and availability of financial assets

The following table reflects CJA's financial assets as of the statement of financial position date of June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 1,531,882
Grants and accounts receivable due within one year	369,179
Short term investments	1,253,975
Other amounts available for current use	<u>31,574</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,186,610</u></u>

Note 11 – Small Business Administration, Paycheck Protection Program

In May 2020, CJA received loan proceeds of \$189,240 from a promissory note issued by MUFG Union Bank under the Paycheck Protection Program (PPP) established under the CARES Act and administered by the U.S. Small Business Administration. The term of the PPP loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. CJA expects to meet the PPP's eligibility criteria and has applied for forgiveness.

Center for Justice & Accountability

June 30, 2020

Notes to Financial Statements

Note 12 – Accounting pronouncements - adopted

Effective July 1, 2019, CJA adopted the following pronouncements:

FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The new pronouncement establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. CJA has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. The new pronouncement assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. CJA has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

FASB ASU 2016-01, Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. This amendment requires, among other things, equity investments to be measured at fair value with changes in fair value recognized in net income. The amendment has been applied retrospectively to all periods presented. The implementation of ASU 2016-01 did not have a material impact on the financial statements.