

CORPORATE ACCOUNTABILITY INTERNATIONAL

FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010

**O'Connor
& Drew P.C.**
Certified Public Accountants

CORPORATE ACCOUNTABILITY INTERNATIONAL

Financial Statements

JUNE 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Corporate Accountability International

We have audited the accompanying statements of financial position of Corporate Accountability International (a non-profit organization) as of June 30, 2011, and the related statements of activities, functional expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Organization as of and for the year ended June 30, 2010 were audited by other auditors whose report dated November 15, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporate Accountability International as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules are presented for purposes of additional analysis and are 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor & Drew, P.C.

Certified Public Accountants

November 11, 2011

**CORPORATE ACCOUNTABILITY
INTERNATIONAL**

Statements of Financial Position

June 30, 2011 and 2010

CORPORATE ACCOUNTABILITY INTERNATIONAL

Statements of Financial Position

June 30,

Assets

	<u>2011</u>	Restated <u>2010</u>
Current Assets:		
Cash and equivalents	\$ 1,344,156	\$ 1,178,419
Accounts receivable	7,439	7,790
Pledges receivable	-	290,000
Prepaid expenses	<u>56,079</u>	<u>50,535</u>
Total Current Assets	<u>1,407,674</u>	<u>1,526,744</u>
Property and Equipment, net	<u>159,266</u>	<u>207,608</u>
Other Assets:		
Deposits	16,030	15,530
Long-term pledge receivable, net	<u>-</u>	<u>229,600</u>
Total Other Assets	<u>16,030</u>	<u>245,130</u>
Total Assets	<u>\$ 1,582,970</u>	<u>\$ 1,979,482</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 72,493	\$ 13,830
Accrued expenses	10,171	31,207
Accrued vacation	31,423	29,710
Current portion of note payable	<u>100,000</u>	<u>-</u>
Total Current Liabilities	<u>214,087</u>	<u>74,747</u>
Long Term Liabilities:		
Notes payable	<u>400,000</u>	<u>-</u>
Total Liabilities	<u>614,087</u>	<u>74,747</u>
Net Assets:		
Unrestricted	968,883	1,385,135
Temporarily restricted	<u>-</u>	<u>519,600</u>
Total Net Assets	<u>968,883</u>	<u>1,904,735</u>
Total Liabilities and Net Assets	<u>\$ 1,582,970</u>	<u>\$ 1,979,482</u>

The accompanying notes are an integral part of the financial statements.

CORPORATE ACCOUNTABILITY INTERNATIONAL

Statements of Activities

**For the Year Ended June 30, 2011
(with comparative totals for 2010)**

	2011			Restated 2010
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues:				
Contributions	\$ 2,908,594	\$ -	\$ 2,908,594	\$ 3,633,660
Interest and dividends	564	-	564	5,071
Other income	1,975	-	1,975	279
Sales	52,665	-	52,665	57,218
Rental income	3,600	-	3,600	4,800
Net realized losses on investments	(4,061)	-	(4,061)	(8,798)
Released from restriction	<u>519,600</u>	<u>(519,600)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>3,482,937</u>	<u>(519,600)</u>	<u>2,963,337</u>	<u>3,692,230</u>
Expenses:				
Program services	3,488,613	-	3,488,613	3,471,426
Management and general	167,620	-	167,620	209,924
Fundraising	<u>242,956</u>	<u>-</u>	<u>242,956</u>	<u>186,313</u>
Total Expenses	<u>3,899,189</u>	<u>-</u>	<u>3,899,189</u>	<u>3,867,663</u>
Change in Net Assets	<u>\$ (416,252)</u>	<u>\$ (519,600)</u>	<u>\$ (935,852)</u>	<u>\$ (175,433)</u>

The accompanying notes are an integral part of the financial statements.

CORPORATE ACCOUNTABILITY INTERNATIONAL

Statements of Changes in Net Assets

For the Years Ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance, June 30, 2010	\$ 1,714,168	\$ 366,000	\$ 2,080,168
Changes in net assets for 2009, as previously reported	(329,033)	223,600	(105,433)
Correction of error in recording pledges receivable (Note 2)	-	(70,000)	(70,000)
Balance, June 30, 2010, as restated	1,385,135	519,600	1,904,735
Changes in net assets for 2011	(416,252)	(519,600)	(935,852)
Balance, June 30, 2011	\$ 968,883	\$ -	\$ 968,883

The accompanying notes are an integral part of the financial statements.

CORPORATE ACCOUNTABILITY INTERNATIONAL

Statements of Cash Flows

For the Years Ended June 30,

	<u>2011</u>	<u>Restated 2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ <u>(935,852)</u>	\$ <u>(175,433)</u>
Adjustments to reconcile change in net assets to net cash applied to operating activities:		
Realized loss on investments	4,061	8,798
Depreciation	52,365	51,449
Changes in assets and liabilities:		
Accounts receivable	351	64,305
Pledges receivable	519,600	(223,600)
Prepaid expenses	(5,544)	(34,877)
Deposits	(500)	3,100
Accounts payable	58,663	1,865
Accrued expenses	(21,036)	-
Accrued vacation	<u>1,713</u>	<u>(4,596)</u>
Net Adjustments	<u>609,673</u>	<u>(133,556)</u>
Net Cash Applied to Operating Activities	<u>(326,179)</u>	<u>(308,989)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(4,023)	(58,540)
Donated securities	(556,793)	(1,416,104)
Proceeds from sale of securities	<u>552,732</u>	<u>1,407,306</u>
Net Cash Provided by (Applied to) Investing Activities	<u>(8,084)</u>	<u>(67,338)</u>
Cash Flows from Financing Activity:		
Proceeds from issuance of note payable	<u>500,000</u>	-
Net Increase (Decrease) in Cash and Equivalents	165,737	(376,327)
Cash and Equivalents, Beginning of Year	<u>1,178,419</u>	<u>1,554,746</u>
Cash and Equivalents, End of Year	<u>\$ 1,344,156</u>	<u>\$ 1,178,419</u>

The accompanying notes are an integral part of the financial statements.

CORPORATE ACCOUNTABILITY INTERNATIONAL

Notes to the Financial Statements

June 30, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Corporate Accountability International (the "Organization") is a not-for-profit organization created to educate the public about the dangers of corporate interference and abuse in public policymaking in support of democratic institutions. The Organization's headquarters are in Boston, Massachusetts with offices in both North and South America.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization reports information regarding its assets, net assets, revenues, expenses, and other changes in net assets according to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Un-restricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2011 and 2010 and accordingly, these financials do not reflect any activity related to this class of net assets for 2011 and 2010.

CORPORATE ACCOUNTABILITY INTERNATIONAL

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Instruments

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and equivalents and pledges receivable. The Organization maintains its cash and equivalents in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Exposure to credit risk and deposit risk is reduced by placing such deposits in high quality financial institutions.

The carrying amounts of certain financial instruments including cash and equivalents and contributions receivable approximate fair value as of June 30, 2011 because of the relatively short maturity of these instruments. The carrying amounts of investments are reported at market value.

Contributions

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Temporarily restricted contributions received during the year meeting donor-imposed stipulations are recorded as unrestricted contributions. All other contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Advertising

The Organization charges the cost of advertising to expense as incurred. For the years ended June 30, 2011 and 2010, advertising costs amounted to \$2,608 and \$1,090, respectively.

Income Taxes

The Organization is exempt from Federal and state income tax under section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

CORPORATE ACCOUNTABILITY INTERNATIONAL

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1- **Summary of Significant Accounting Policies - Continued**

Cash and Equivalents

Cash and equivalents include all monies in banks and highly liquid investments with original maturities of three months or less. The carrying value of cash and equivalents approximates fair value because of the short maturities of those financial instruments.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

Note 2 - **Prior Period Adjustment**

During the year ended June 30, 2011, management discovered an overstatement of previously reported pledges receivable. Accordingly, an adjustment of \$70,000 was made to the financial statements for the year ended June 30, 2010 to reflect this change.

The effect of the restatement on June 30, 2010 balances is summarized below:

	As previously <u>Stated</u>	<u>As Restated</u>
Pledges receivable	\$ 360,000	\$ 290,000
Grants and contributions	3,703,660	3,633,660
Total net assets	1,974,735	1,904,735

CORPORATE ACCOUNTABILITY INTERNATIONAL

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 3 - **Pledges Receivable**

Pledges receivable consists of temporarily restricted amounts to be received by the Organization and are deemed to be fully collectible by management. The long-term portion of pledges receivable are discounted at 4%.

Pledges receivable, as restated, were as follows at June 30, 2010:

Receivable in less than one year	\$ 290,000
Receivable in one to five years	<u>250,000</u>
Total unconditional promises	540,000
Less: discounts to net present value	<u>20,400</u>
Net Pledges Receivable	\$ <u>519,600</u>

Note 4 - **Property and Equipment**

A summary of the major components of property and equipment at June 30, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 130,256	\$ 126,233
Furniture and equipment	<u>169,774</u>	<u>169,774</u>
	300,030	296,007
Less: accumulated depreciation	<u>140,764</u>	<u>88,399</u>
Net Property and Equipment	\$ <u>159,266</u>	\$ <u>207,608</u>

CORPORATE ACCOUNTABILITY INTERNATIONAL

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 5 - **Debt Obligations**

Long-Term Debt

Long-term debt at June 30, 2011 consists of a \$500,000 note payable to a private party, bearing no interest, requiring semi-annual payments of \$50,000 due June 15, 2016. No interest will be paid during the term of the loan.

Future minimum payments subsequent to June 30, 2011, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2012	\$ 100,000
2013	100,000
2014	100,000
2015	100,000
2016	<u>100,000</u>
Total	\$ <u>500,000</u>

Note 6 - **Leasing Activity**

The Organization leases its primary office space under a lease agreement with escalating monthly payments through October, 2015. The Organization also leases additional office space as a tenant at will at its other locations. Rent expense for the years ended June 30, 2011 and 2010 totaled \$363,676 and \$389,384, respectively.

Future minimum lease payments subsequent to June 30, 2011, are as follows:

2012	\$ 277,472
2013	280,488
2014	286,520
2015	295,568
2016	<u>99,528</u>
	\$ <u>1,239,576</u>

CORPORATE ACCOUNTABILITY INTERNATIONAL

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 8 - **Retirement Plan**

The Organization maintains a 401(k) plan covering all eligible employees. Contributions for the years ended June 30, 2011 and 2010 totaled \$31,421 and \$30,880, respectively.

Note 9 - **Joint Costs**

The Organization hired a fundraising consultant to distribute direct mail that includes a fundraising appeal. Total joint costs of direct mail/consulting were \$292,475 for the year ended June 30, 2011. Of this \$43,871 has been allocated to fundraising and \$248,604 has been allocated to program services. For the year ended June 30, 2010, total joint costs were \$300,805. Of this \$45,738 has been allocated to fundraising and \$255,067 has been allocated to program services.

Note 10 - **Risks, Uncertainties and Concentrations**

Cash

From time to time, the Organization's cash balances at financial banking institutions exceed the Federally insured limit. Management monitors the financial condition of the banking institution, along with its balances in cash to keep this potential risk at a minimum.

Contributions

During the year ended June 30, 2010, the Organization received donations from one foundation totaling \$2,475,086. This represented 68% of the Organization's total grants and contributions for the year ended June 30, 2010.

Subsequent Events

Management has evaluated subsequent events through November 11, 2011, the date for which financial statements were available for issuance.

SUPPLEMENTAL INFORMATION

CORPORATE ACCOUNTABILITY INTERNATIONAL

Schedule of Functional Expenses

For the Year Ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	2011			2010	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 1,662,732	\$ 97,517	\$ 74,040	\$ 1,834,289	\$ 1,693,139
Payroll taxes	123,655	7,252	5,506	136,413	155,349
Employee benefits	200,886	11,782	8,945	221,613	217,553
Subtotal	<u>1,987,273</u>	<u>116,551</u>	<u>88,491</u>	<u>2,192,315</u>	<u>2,066,041</u>
Advertising	2,608	-	-	2,608	1,090
Conferences and trainings	13,846	-	1,246	15,092	25,543
Consultants and contract services	630,969	3,420	90,107	724,496	818,983
Depreciation	47,467	2,784	2,114	52,365	51,449
Equipment rental and maintenance	5,106	299	227	5,632	6,207
Grant expense	1,100	-	-	1,100	22,114
Insurance	14,367	843	640	15,850	13,327
Media and education	155,448	-	2,556	158,004	129,685
Meetings and events	12,439	136	2,929	15,504	22,838
Miscellaneous	-	3,927	-	3,927	16,627
Postage and shipping	8,715	-	202	8,917	13,974
Printing and copying	1,589	100	24	1,713	1,203
Professional fees	20,031	10,615	5	30,651	24,798
Publications	2,989	-	-	2,989	3,086
Rent	329,662	19,334	14,680	363,676	389,384
State registration fees	4,377	-	-	4,377	5,180
Supplies	43,832	2,571	1,952	48,355	28,886
Telephone and internet	50,925	2,987	2,268	56,180	43,799
Travel	149,156	3,659	35,215	188,030	173,119
Utilities	6,714	394	300	7,408	10,330
Total	<u>\$ 3,488,613</u>	<u>\$ 167,620</u>	<u>\$ 242,956</u>	<u>\$ 3,899,189</u>	<u>\$ 3,867,663</u>