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Audit

# **CORPORATE ACCOUNTABILITY INTERNATIONAL**

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## **FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

# CORPORATE ACCOUNTABILITY INTERNATIONAL

## Financial Statements

June 30, 2012 and 2011

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Corporate Accountability International  
Boston, Massachusetts

We have audited the accompanying statements of financial position of Corporate Accountability International (a non-profit organization) as of June 30, 2012, and the related statements of activities, 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provided 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, 2012 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 schedule presented for purposes of additional analysis and 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 and Drew, P.C.*

**Certified Public Accountants**  
**Braintree, Massachusetts**

November 19, 2012

**CORPORATE ACCOUNTABILITY  
INTERNATIONAL**

**Statements of Financial Position**

**June 30,**

**Assets**

	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Cash and equivalents	\$ 1,909,821	\$ 1,344,156
Accounts receivable	331	7,439
Prepaid expenses	<u>35,832</u>	<u>56,079</u>
<b>Total Current Assets</b>	<u>1,945,984</u>	<u>1,407,674</u>
<b>Property and Equipment, net</b>	<u>114,800</u>	<u>159,266</u>
<b>Other Asset:</b>		
Deposits	<u>77,676</u>	<u>16,030</u>
<b>Total Assets</b>	<u>\$ 2,138,460</u>	<u>\$ 1,582,970</u>

**Liabilities and Net Assets**

<b>Current Liabilities:</b>		
Accounts payable	\$ 55,159	\$ 72,493
Accrued expenses	8,200	10,171
Accrued vacation	33,604	31,423
Current portion of note payable	<u>100,000</u>	<u>100,000</u>
<b>Total Current Liabilities</b>	<u>196,963</u>	<u>214,087</u>
<b>Long Term Liabilities:</b>		
Notes payable	<u>300,000</u>	<u>400,000</u>
<b>Total Liabilities</b>	<u>496,963</u>	<u>614,087</u>
<b>Net Assets:</b>		
Unrestricted	1,500,631	968,883
Temporarily restricted	<u>140,866</u>	<u>-</u>
<b>Total Net Assets</b>	<u>1,641,497</u>	<u>968,883</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,138,460</u>	<u>\$ 1,582,970</u>

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

# CORPORATE ACCOUNTABILITY INTERNATIONAL

## Statements of Activities and Changes in Net Assets

**For the Year Ended June 30, 2012  
(with comparative totals for 2011)**

	2012			2011
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Revenues:</b>				
Contributions	\$ 4,599,814	\$ 331,000	\$ 4,930,814	\$ 2,908,594
Interest and dividends	227	-	227	564
Other income	20,606	-	20,606	58,240
Net realized losses on investments	(5,589)	-	(5,589)	(4,061)
Released from restriction	<u>190,134</u>	<u>(190,134)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>4,805,192</u>	<u>140,866</u>	<u>4,946,058</u>	<u>2,963,337</u>
<b>Expenses:</b>				
Program services	3,787,159	-	3,787,159	3,488,613
Management and general	178,384	-	178,384	167,620
Fundraising	<u>307,901</u>	<u>-</u>	<u>307,901</u>	<u>242,956</u>
<b>Total Expenses</b>	<u>4,273,444</u>	<u>-</u>	<u>4,273,444</u>	<u>3,899,189</u>
<b>Changes in Net Assets</b>	<b>531,748</b>	<b>140,866</b>	<b>672,614</b>	<b>(935,852)</b>
Net Assets, Beginning of Year	<u>968,883</u>	<u>-</u>	<u>968,883</u>	<u>1,904,735</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 1,500,631</u></b>	<b><u>\$ 140,866</u></b>	<b><u>\$ 1,641,497</u></b>	<b><u>\$ 968,883</u></b>

*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>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ <u>672,614</u>	\$ <u>(935,852)</u>
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Realized loss on investments	5,589	4,061
Depreciation	47,840	52,365
Bad debts	2,350	-
Changes in assets and liabilities:		
Accounts receivable	4,758	351
Pledges receivable	-	519,600
Prepaid expenses	20,247	(5,544)
Deposits	(61,646)	(500)
Accounts payable	(17,334)	58,663
Accrued expenses	(1,971)	(21,036)
Accrued vacation	<u>2,181</u>	<u>1,713</u>
Net Adjustments	<u>2,014</u>	<u>609,673</u>
Net Cash Provided by (Applied to) to Operating Activities	<u>674,628</u>	<u>(326,179)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(3,374)	(4,023)
Donated securities	(1,068,434)	(556,793)
Proceeds from sale of securities	<u>1,062,845</u>	<u>552,732</u>
Net Cash Applied to Investing Activities	<u>(8,963)</u>	<u>(8,084)</u>
<b>Cash Flows from Financing Activity:</b>		
Proceeds from issuance of note payable	100,000	500,000
Principal payments on note payable	<u>(200,000)</u>	<u>-</u>
Net Cash Provided by (Applied to) Financing Activities	<u>(100,000)</u>	<u>500,000</u>
<b>Net Increase in Cash and Equivalents</b>	<b>565,665</b>	<b>165,737</b>
Cash and Equivalents, Beginning of Year	<u>1,344,156</u>	<u>1,178,419</u>
<b>Cash and Equivalents, End of Year</b>	<b>\$ <u>1,909,821</u></b>	<b>\$ <u>1,344,156</u></b>

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

# CORPORATE ACCOUNTABILITY INTERNATIONAL

## Notes to the Financial Statements

June 30, 2012 and 2011

### Note 1 - Summary of Significant Accounting Policies

#### Nature of Activities

Corporate Accountability International (the "Organization") is a not-for-profit organization with the goal 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. Unrestricted 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 2012 and 2011 and accordingly, these financials do not reflect any activity related to this class of net assets for 2012 and 2011.

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# CORPORATE ACCOUNTABILITY INTERNATIONAL

## Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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, 2012 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, 2012 and 2011, advertising costs amounted to \$3,713 and \$2,608, 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, 2012 and 2011

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.

**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.

Note 2 - **Property and Equipment**

A summary of the major components of property and equipment at June 30, 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Leaschold improvements	\$ 133,630	\$ 130,256
Furniture and equipment	<u>169,774</u>	<u>169,774</u>
	303,404	300,030
Less: accumulated depreciation	<u>188,604</u>	<u>140,764</u>
Net Property and Equipment	\$ <u>114,800</u>	\$ <u>159,266</u>

Note 3 - **Debt Obligations**

**Long-Term Debt**

Long-term debt at June 30, 2012 consists of a \$400,000 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.

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# CORPORATE ACCOUNTABILITY INTERNATIONAL

## Notes to the Financial Statements - Continued

June 30, 2012 and 2011

**Note 3 - Debt Obligations - Continued**

Future minimum payments subsequent to June 30, 2012, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2013	\$ 100,000
2014	100,000
2015	100,000
2016	<u>100,000</u>
Total	\$ <u>400,000</u>

**Short-Term Financing**

From time to time the Organization enters into short-term financing agreements. During the year ended June 30, 2012 the Organization entered into one such agreement for \$100,000, bearing no interest, due March 31, 2012. The debt was paid off according to the agreement and there is no outstanding balance at June 30, 2012.

**Note 4 - 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, 2012 and 2011 totaled \$307,597 and \$363,676, respectively.

Future minimum lease payments subsequent to June 30, 2012, are as follows:

2013	\$ 280,488
2014	286,520
2015	295,568
2016	<u>99,528</u>
	\$ <u>962,104</u>

**Note 5 - Retirement Plan**

The Organization maintains a 401(k) plan covering all eligible employees. Contributions for the years ended June 30, 2012 and 2011 totaled \$28,130 and \$31,421, respectively.

# CORPORATE ACCOUNTABILITY INTERNATIONAL

## Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 6 - **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 \$246,430 for the year ended June 30, 2012. Of this \$48,250 has been allocated to fundraising and \$198,180 has been allocated to program services. For the year ended June 30, 2011, total joint costs were \$292,475. Of this \$43,871 has been allocated to fundraising and \$248,604 has been allocated to program services.

Note 7 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of amounts received for the Real Food Media Project. Contributions can only be used for purposes supporting the program.

Note 8 - **Risks**

**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.

**Subsequent Events**

Management has evaluated subsequent events through November 19, 2012, the date for which financial statements were available for issuance.

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## **SUPPLEMENTAL INFORMATION**

# CORPORATE ACCOUNTABILITY INTERNATIONAL

## Schedule of Functional Expenses

For the Year Ended June 30, 2012

(with comparative totals for the year ended June 30, 2011)

	2012			2011	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 1,832,683	\$ 105,148	\$ 45,894	\$ 1,983,725	\$ 1,834,289
Payroll taxes	132,556	7,605	3,319	143,480	136,413
Employee benefits	<u>212,747</u>	<u>12,206</u>	<u>5,328</u>	<u>230,281</u>	<u>221,613</u>
Subtotal	2,177,986	124,959	54,541	2,357,486	2,192,315
Advertising	3,713	-	-	3,713	2,608
Bad debts	2,350	-	-	2,350	-
Conferences and trainings	24,520	3,000	515	28,035	15,092
Consultants and contract services	690,687	-	205,664	896,351	724,496
Depreciation	44,198	2,535	1,107	47,840	52,365
Equipment rental and maintenance	5,915	339	148	6,402	5,632
Grant expense	4,950	-	-	4,950	1,100
Insurance	12,503	718	313	13,534	15,850
Mail production	62,155	-	-	62,155	-
Media and education	183,220	-	-	183,220	158,004
Meetings and events	21,222	6,595	968	28,785	15,504
Miscellaneous	-	6,898	-	6,898	3,927
Postage and shipping	9,396	220	217	9,833	8,917
Printing and copying	1,272	-	267	1,539	1,713
Professional fees	31,942	544	-	32,486	30,651
Publications	5,566	700	85	6,351	2,989
Rent	284,177	16,304	7,116	307,597	363,676
State registration fees	4,858	-	-	4,858	4,377
Supplies	36,095	2,070	904	39,069	48,355
Telephone and internet	58,909	3,380	1,475	63,764	56,180
Travel	112,554	9,608	34,356	156,518	188,030
Utilities	<u>8,971</u>	<u>514</u>	<u>225</u>	<u>9,710</u>	<u>7,408</u>
<b>Total</b>	<b><u>\$ 3,787,159</u></b>	<b><u>\$ 178,384</u></b>	<b><u>\$ 307,901</u></b>	<b><u>\$ 4,273,444</u></b>	<b><u>\$ 3,899,189</u></b>