INFACT
(d/b/a CORPORATE ACCOUNTABILTY)

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

INFACT
(d/b/a CORPORATE ACCOUNTABILITY)

Financial Statements

June 30, 2018 and 2017

CONTENTS

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
INFACT (d/b/a Corporate Accountability)
Boston, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of INFACT (d/b/a Corporate Accountability) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 these 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 of material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 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 selected depend on the auditors' 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, 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 management, as well as 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 our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INFACT (d/b/a Corporate Accountability) as of June 30, 2018, 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.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

September 28, 2018

INFACT
(d/b/a CORPORATE ACCOUNTABILITY)

Statements of Financial Position

June 30, 2018 and 2017

INFACT
(d/b/a Corporate Accountability)

Statements of Financial Position

June 30,

Assets

	2018	2017
Current Assets:		
Cash and equivalents	**$ 1,845,083**	$ 1,811,620
Pledges receivable, current	**410,000**	415,000
Prepaid expenses	**-**	3,850
Total Current Assets	**2,255,083**	2,230,470
Property and equipment, net	**117,442**	148,397
Other Assets:		
Pledges receivable, net of current portion	**598,604**	555,535
Deposits	**-**	1,531
Total Other Assets	**598,604**	557,066
Total Assets	**$ 2,971,129**	$ 2,935,933

Liabilities and Net Assets

	2018	2017
Current Liabilities:		
Current portion of note payable	**$ 28,335**	$ 27,031
Accounts payable	**65,754**	85,243
Accrued expenses	**9,600**	9,300
Accrued vacation	**57,936**	69,022
Total Current Liabilities	**161,625**	190,596
Non-current Liabilities:		
Note payable, net of current portion	**32,166**	60,441
Deferred rent	**240,607**	209,747
Total Non-current Liabilities	**272,773**	270,188
Total Liabilities	**434,398**	460,784
Net Assets:		
Unrestricted	**1,455,082**	1,352,110
Temporarily restricted	**1,081,649**	1,123,039
Total Net Assets	**2,536,731**	2,475,149
Total Liabilities and Net Assets	**$ 2,971,129**	$ 2,935,933

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

INFACT
(d/b/a Corporate Accountability)

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenues:				
Contributions	$ 5,743,475	$ 703,720	$ 6,447,195	$ 6,303,288
Other income	-	-	-	8,686
Released from restriction	745,110	(745,110)	-	-
Total Revenues	6,488,585	(41,390)	6,447,195	6,311,974
Expenses:				
Program services	5,798,197	-	5,798,197	5,818,951
Management and general	274,861	-	274,861	240,840
Fundraising	312,555	-	312,555	257,530
Total Expenses	6,385,613	-	6,385,613	6,317,321
Changes in Net Assets	102,972	(41,390)	61,582	(5,347)
Net Assets, Beginning of Year	1,352,110	1,123,039	2,475,149	2,480,496
Net Assets, End of Year	$ 1,455,082	$ 1,081,649	$ 2,536,731	$ 2,475,149

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

INFACT
(d/b/a Corporate Accountability)

Statements of Cash Flows

For the Years Ended June 30,

	2018	2017
Cash Flows from Operating Activities:		
Changes in net assets	**$ 61,582**	$ (5,347)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	**30,955**	35,558
Changes in assets and liabilities:		
Pledges receivable	**(38,069)**	(6,529)
Prepaid expenses	**3,850**	-
Deposits	**1,531**	-
Accounts payable and accrued expenses	**(19,189)**	(8,604)
Accrued vacation	**(11,086)**	37,455
Deferred rent	**30,860**	45,467
Net Adjustments	**(1,148)**	103,347
Net Cash Provided by Operating Activities	**60,434**	98,000
Cash Flows from Financing Activities:		
Payments on note payable	**(26,971)**	(25,816)
Proceeds from officer loan	**-**	170,000
Payments on officer loan	**-**	(170,000)
Net Cash Applied to Financing Activities	**(26,971)**	(25,816)
Net Increase in Cash and Equivalents	**33,463**	72,184
Cash and Equivalents, Beginning of Year	**1,811,620**	1,739,436
Cash and Equivalents, End of Year	**$ 1,845,083**	$ 1,811,620
Supplemental Cash Flow Information:		
Cash paid for interest	**$ 6,232**	$ 6,181

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

INFACT
(d/b/a CORPORATE ACCOUNTABILITY)

Notes to the Financial Statements

June 30, 2018 and 2017

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

Nature of Activities
INFACT, doing business as Corporate Accountability (the "Organization"), a Minnesota corporation, is a not-for-profit organization with the goal to educate the public about life-threatening abuses by global corporations, including interference in public policymaking. The Organization's headquarters are in Boston, Massachusetts, with other offices in both North America 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.

Cash and Equivalents
Cash and equivalents include all monies in banks and highly liquid investments with original maturities of three months or less.

Pledges Receivable
Unconditional promises to give are included in the financial statements as pledges receivable and revenue for the appropriate net asset category. Pledges are recorded at the present value of the expected future cash flows using a risk-free interest rate commensurate with the date of the donation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. As of June 30, 2018, management has determined that an allowance for pledges receivable was not required.

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.

Deferred Rent
The Organization leases its Boston, Massachusetts headquarters under a lease agreement with escalating monthly payments, as described further in Note 7. The Organization recognizes the related rent expense for this lease agreement on the straight-line basis. The deferred rent amount represents the difference between the rent expense recorded and the monthly rental payments.

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

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

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 activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Organization. No permanently restricted assets have been received or held by the Organization and accordingly, these financial statements do not reflect any activity related to this class of net assets.

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, 2018 and 2017, advertising costs amounted to $16,595 and $16,012, respectively.

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

Functional Allocation of Expenses

The Organization's expenses have been summarized on the functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of pledges receivable, estimating depreciation, and the recoverability of long-lived asset.

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 pledges receivable approximate fair value as of June 30, 2018 because of the relatively short maturity of these instruments.

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

Income Taxes
The Organization has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(VI). As a not-for-profit entity exempt from income taxes, the Organization may, however, be subject to tax on unrelated business income.

Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a more likely than not ("MLTN") sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances the statute of limitations may remain open indefinitely.

New Accounting Pronouncements
Leases - The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-02 (“ASU 2016-02”) effective for non-public and most not-for-profit entities for fiscal years beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on the statement of financial position the rights and obligations resulting from leases categorized as operating leases as assets and liabilities. It provides for an election on leases with terms of less than twelve months to be excluded from this standard. Management does not expect implementation to have a material effect on financial position or results of operations.

Presentation of Financial Statements of Not-for-Profit Entities – ASU 2016-14 an amendment to Topic 958, Not-for-Profit Entities, was issued by the Financial Accounting Standards Board in June 2016 with an effective date for fiscal years beginning after December 15, 2017. The purpose of this amendment is to improve the transparency and utility of information contained in the financial statements of such entities. Net assets will be presented in two categories, net assets with donor restrictions and net assets without donor restrictions, as opposed to the current three categories. Additional information and disclosures will be required to enable a reader to more readily understand liquidity limitations due to restrictions on net assets. Early application is permitted. Management does not expect implementation to have a material effect on financial position or results of operations.

Note 2 - **Pledges Receivable**

Pledges receivable consist of unconditional promises to be received by the Organization in future years. Pledges receivable are as follows at June 30:

	2018	2017
Less than one year	**$ 410,000**	$ 415,000
Between one and five years	**550,000**	590,000
Between six and nine years	**90,000**	-
	1,050,000	1,005,000
Less: discount at 2.0% and 2.5%, respectively	**(41,396)**	(34,465)
Total pledges receivable, net	**$ 1,008,604**	$ 970,535

Note 3 - **Property and Equipment**

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

	2018	2017
Leasehold improvements	**$ 169,958**	$ 169,958
Furniture and equipment	**355,917**	355,917
	525,875	525,875
Less: accumulated depreciation	**(408,433)**	(377,478)
Property and equipment, net	**$ 117,442**	$ 148,397

Note 4 - **Line of Credit**

The Organization has a revolving line of credit allowing for maximum borrowings of $600,000, secured by all of the Organization's assets. Interest is payable monthly at the financial institution's base rate which can fluctuate at the bank's discretion based on economic conditions. During the year ended June 30, 2018, the Organization borrowed and repaid $250,000 against the line of credit. There was no balance outstanding at June 30, 2018 and 2017.

Note 5 - **Long-term Debt**

Note payable
Long-term debt consists of the following at June 30,:

	2018	2017
Note payable to Eastern Bank, collateralized by all assets of the Organization, monthly payments, including principal and interest at 4.72% of $2,548, due June 2020.	**$ 60,501**	$ 87,472
Less: Amounts due within one year	**28,335**	27,031
	$ 32,166	$ 60,441

Principal maturities of long-term debt subsequent to June 30, 2018 are as follows:

Years Ending June 30,	
2019	$ 28,335
2020	32,166
	$ 60,501

Interest expense on all indebtedness for the years ended June 30, 2018 and 2017 amounted to $6,232 and $6,181, respectively.

Note 6 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of amounts received for Real Food Media: A Project of Corporate Accountability and pledged contributions that are expected to be received in future years.

Note 6 - **Temporarily Restricted Net Assets - Continued**

For the years ended June 30, 2018 and 2017 the Organization released $334,479 and $276,977, respectively, of temporarily restricted net assets for expenditure purposes related to Real Food Media: A Project of Corporate Accountability. For the years ended June 30, 2018 and 2017 the Organization released $410,631 and $279,896, respectively, of temporarily restricted net assets related to program support.

Note 7 - **Leasing Activities**

The Organization leases its Boston, Massachusetts headquarters under a lease agreement with escalating monthly payments concluding in December 2025. The Organization's additional office spaces are all tenant-at-will arrangements. Rent expense for the years ended June 30, 2018 and 2017, amounted to $631,042 and $618,783, respectively. Rent expense represents 9% - 10% of total expenses and management expects future rent expense will remain at, or below, the aforementioned percentages.

Future minimum lease payments subsequent to June 30, 2018 are as follows:

Years Ending June 30,	
2019	$ 548,980
2020	563,587
2021	578,194
2022	592,801
Thereafter	2,243,393
Total	$ 4,526,955

Note 8 - **Joint Costs**

The Organization hired a consultant to distribute direct mail that includes a fundraising appeal. Total joint costs of direct mail were $143,338 and $205,117 for the years ended June 30, 2018 and 2017, respectively. Of this, $48,656 and $72,399 has been allocated to fundraising and $94,682 and $132,718 has been allocated to program services for the years ended June 30, 2018 and 2017, respectively.

Note 9 - **Retirement Plan**

The Organization maintains a 401(k) plan covering all eligible employees. Employer contributions for the years ended June 30, 2018 and 2017, totaled $68,541 and $65,384, respectively.

Note 10 - **Risks and Uncertainties**

Cash
The Organization periodically maintains cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insurable limits. Management monitors the financial condition of banking institutions, along with its cash balances, to keep this potential risk to a minimum. At June 30, 2018, uninsured cash balances in excess of FDIC insurable limits was approximately $855,000.

Note 11 - **Management Acceptance of Financial Statements**

Management has evaluated subsequent events through September 24, 2018, the date for which the financial statements were available for issuance. Management has accepted the financial statements and did not identify any events subsequent to June 30, 2018 requiring disclosure in the financial statements.