

CENTER FOR CONSTITUTIONAL RIGHTS
INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS
AS OF JUNE 30, 2020
AND
FOR THE YEAR THEN ENDED

CENTER FOR CONSTITUTIONAL RIGHTS

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Center for Constitutional Rights
New York, New York

We have audited the accompanying financial statements of Center for Constitutional Rights, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses 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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Constitutional Rights as of June 30, 2020 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.

Winnie Lam & Co, P.C.

New York, New York
November 30, 2020

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 4,092,397	\$ 4,384,189	\$ 8,476,586
Investments - Notes 2 and 4	18,630,247		18,630,247
Accounts and accrued interest receivable	36,208		36,208
Pledges, grants and contributions receivable - Notes 2 and 5	171,258	919,786	1,091,044
Prepaid expenses	<u>125,902</u>		<u>125,902</u>
Total Current Assets	23,056,012	5,303,975	28,359,987
<u>Non-Current Assets</u>			
Investments restricted for endowment - Notes 2 and 4	865,493	2,079,011	2,944,504
Pledges receivable - Notes 2 and 5		1,346,654	1,346,654
Utility deposits	4,880		4,880
Fixed assets, at cost, net of accumulated depreciation and amortization of \$2,698,890 - Notes 2 and 6	119,087		119,087
Art work	<u>59,377</u>		<u>59,377</u>
Total Assets	<u>\$ 24,104,849</u>	<u>\$ 8,729,640</u>	<u>\$ 32,834,489</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts and accrued expenses payable	\$ 476,655		\$ 476,655
Annuity payment liability - current portion - Note 12	<u>45,900</u>		<u>45,900</u>
Total Current Liabilities	522,555		522,555
<u>Non-Current Liabilities</u>			
Loan payable - Note 7	1,291,817		1,291,817
Annuity payment liability - Note 12	<u>226,552</u>		<u>226,552</u>
Total Liabilities	<u>2,040,924</u>		<u>2,040,924</u>
<u>NET ASSETS</u>			
Without donor restrictions:			
Undesignated	4,411,499		4,411,499
Board designated funds - Note 8	17,652,426		17,652,426
With donor restrictions - Note 10		<u>\$ 8,729,640</u>	<u>8,729,640</u>
Total Net Assets	<u>22,063,925</u>	<u>8,729,640</u>	<u>30,793,565</u>
Total Liabilities and Net Assets	<u>\$ 24,104,849</u>	<u>\$ 8,729,640</u>	<u>\$ 32,834,489</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>
<u>Revenue, Gains and Other Support</u>			
Grants and contributions from:			
Foundations and trusts	\$ 2,682,365	\$ 3,698,902	\$ 6,381,267*
Individuals	3,193,451	410,589	3,604,040
Bequests	391,562		391,562
Corporations	123,757		123,757
Federations and churches	3,529		3,529
Court awards and attorney fees	2,661,846		2,661,846
Net investment income	255,114	58,483	313,597
Net realized (loss)/gains on investment transactions (3,673)	132,714	129,041
In-kind contributions	434		434
Other income	<u>11,190</u>		<u>11,190</u>
Total Revenue, Gains and Other Support	<u>9,319,575</u>	<u>4,300,688</u>	<u>13,620,263</u>
Net assets released from restrictions - Note 9	<u>1,517,227</u>	<u>(1,517,227)</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>10,836,802</u>	<u>2,783,461</u>	<u>13,620,263</u>
<u>Expenses</u>			
Program Services			
Litigation	5,909,512		5,909,512
Advocacy	<u>2,555,011</u>		<u>2,555,011</u>
Total Program Services	<u>8,464,523</u>		<u>8,464,523</u>
Supporting Services			
Administrative and general	897,640		897,640
Fund raising	<u>1,358,316</u>		<u>1,358,316</u>
Total Supporting Services	<u>2,255,956</u>		<u>2,255,956</u>
Total Expenses	<u>10,720,479</u>		<u>10,720,479</u>
Change in Net Assets before Other Changes in Net Assets	<u>116,323</u>	<u>2,783,461</u>	<u>2,899,784</u>
<u>Other Changes in Net Assets:</u>			
Net unrealized gains on investments	25,066	117,829	142,895
Changes in value of split-interest agreements - Note 12	<u> </u>	<u>(31,495)</u>	<u>(31,495)</u>
Total Other Changes in Net Assets	<u>25,066</u>	<u>86,334</u>	<u>111,400</u>
Change in Net Assets	141,389	2,869,795	3,011,184
Net Assets as of June 30, 2019	<u>21,922,536</u>	<u>5,859,845</u>	<u>27,782,381</u>
Net Assets as of June 30, 2020	<u>\$ 22,063,925</u>	<u>\$ 8,729,640</u>	<u>\$ 30,793,565</u>

* Included in the foundation contributions for the year are gifts to CCR, as advised by individuals, through donor advised funds from other foundations of \$2,176,400.

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services
	Litigation	Advocacy	Total	Administrative and General	Fund Raising	Total	
Salaries	\$ 3,016,900	\$ 1,600,385	\$ 4,617,285	\$ 567,137	\$ 804,704	\$ 1,371,841	\$ 5,989,126
Payroll taxes and employee benefits	910,133	479,934	1,390,067	170,077	241,320	411,397	1,801,464
Total Salaries and Related Expenses	3,927,033	2,080,319	6,007,352	737,214	1,046,024	1,783,238	7,790,590
Cooperating attorney fees	1,169,293		1,169,293				1,169,293
Consultants	221,614	163,780	385,394	21,066	144,738	165,804	551,198
Travel expenses	128,705	59,712	188,417	984	23,494	24,478	212,895
Court and legal costs	11,940		11,940				11,940
Printing and publications	1,021	48,467	49,488	3,492	14,107	17,599	67,087
Telephone and communications	47,431	19,026	66,457	4,179	10,984	15,163	81,620
Postage and mailing	12,914	2,299	15,213	670	24,311	24,981	40,194
Supplies and minor equipment purchases	40,876	17,247	58,123	4,826	18,449	23,275	81,398
Insurance	32,053	7,890	39,943	3,945	5,424	9,369	49,312
Building maintenance and storage rental	119,162	29,332	148,494	14,666	20,166	34,832	183,326
Books and subscriptions	57,483	28,485	85,968	5,723	6,629	12,352	98,320
Legal and accounting fees	5,046	2,677	7,723	43,465	1,346	44,811	52,534
Occupancy costs	19,610	4,827	24,437	2,414	3,319	5,733	30,170
Equipment rental and maintenance	31,962	7,812	39,774	4,496	5,371	9,867	49,641
Meetings and conferences (including in-kind contributions of \$434)	9,303	21,877	31,180	12,612	3,078	15,690	46,870
Grant expenses		5,000	5,000				5,000
Event expenses	1,350	38,414	39,764		18,121	18,121	57,885
Miscellaneous	214		214	28,965	486	29,451	29,665
Total Expenses Before Depreciation and Amortization	5,837,010	2,537,164	8,374,174	888,717	1,346,047	2,234,764	10,608,938
Depreciation and amortization	72,502	17,847	90,349	8,923	12,269	21,192	111,541
Total Expenses	\$ 5,909,512	\$ 2,555,011	\$ 8,464,523	\$ 897,640	\$ 1,358,316	\$ 2,255,956	\$ 10,720,479

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Cash Flows From Operating Activities</u>	
Change in Net Assets	\$ 3,011,184
Adjustments to reconcile change in Net Assets to net cash provided by operating activities	
Depreciation and amortization	111,541
Net realized gains on investment transactions	(129,041)
Net unrealized gains on investments	(142,895)
Change in assets and liabilities:	
Decrease in accounts and accrued interest receivable	138,561
Increase in grants and contributions receivable	(636,455)
Decrease in legal awards receivable	11,655
Increase in prepaid expenses	(62,238)
Decrease in accounts and accrued expenses payable	(116,098)
Decrease in annuity payment liability	(109,352)
Net Cash Provided by Operating Activities	<u>2,076,862</u>
<u>Cash Flows From Investing Activities</u>	
Acquisition of fixed assets	(17,880)
Purchases of investments	(55,339,639)
Proceeds from sale of investments	<u>55,615,043</u>
Net Cash Provided by Investing Activities	<u>257,524</u>
<u>Cash Flows From Financing Activities</u>	
Proceeds from loan	<u>1,291,817</u>
Net Cash Provided by Financing Activities	<u>1,291,817</u>
Net Increase in Cash and Cash Equivalents	3,626,203
Cash and cash equivalents as of June 30, 2019	<u>4,850,383</u>
Cash and cash equivalents as of June 30, 2020	<u>\$ 8,476,586</u>
<u>Supplemental disclosures of cash flow information:</u>	
Gifts of securities	<u>\$ 1,681,599</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 ORGANIZATION

Center for Constitutional Rights ("CCR") is a non-profit legal and educational organization dedicated to advancing and protecting the rights guaranteed by the United States Constitution and the Universal Declaration of Human Rights. Founded in 1966 by attorneys who represented civil rights movements in the South, CCR works creatively to advance and defend the constitutional and human rights of social justice movements and communities under threat and helps them build power.

CCR is committed to dismantling systems of oppression and fighting for justice through litigation, advocacy, and narrative shifting.

- **Litigation:** What is legal is not always just. CCR uses creative and aggressive legal strategies to fight the most virulent forms of oppression and push the law to meet the demands of justice.
- **Advocacy:** CCR prioritize forms of advocacy that complement its legal strategies with short- and long-term campaigns, policy work, trainings, public education, and thought leadership. Alliances with communities, organizations, activists, and storytellers help build power where it's most needed.
- **Narative shifting:** CCR uses media and thought leadership to challenge dominant narratives and make space for the voices and experiences of those who have been pushed to the margins. These tactics allow them to shape public opinion about the issues they fight for, which can initially be seen as controversial, and create opportunities to dismantle institutionalized power while building the power of social movements.

Management and general activities include the functions necessary to provide support for CCR's program activities. They include activities that provide governance (Board of Trustees), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fund raising activities include publicizing and conducting fund raising campaigns; maintaining donor lists; and other activities involved with soliciting contributions from foundations, individuals, and others.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CCR prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by CCR are described below to enhance the usefulness and understandability of the financial statements.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

Support

Grants and contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reflected as current promises to give and are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are reflected as long-term promises to give and are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Cash and Cash Equivalents

Cash consist of cash held in checking and money market accounts. CCR considers all highly liquid instruments purchased with a maturity of three months or less and money market funds to be cash equivalents.

Short Term Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The basis of determining the fair value of investments is the readily determinable sales price of the investments based on prices or quotations from over-the-counter markets.

Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities. Realized and unrealized gains and losses are recognized as incurred. They are recorded in the Statement of Activities as income or loss in accordance with donors' restrictions.

(Continue)

CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Endowment and Long-term Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support CCR's activities.
- Board designated endowments, which are resources set aside by the Board of Trustees for an indeterminate period to operate in a manner similar to a donor-restricted perpetual endowment. Because a board designated endowment results from an internal designation, it can be spent upon action of the Board of Trustees.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources. Endowment investments are reported at fair value with changes to fair value reported as investment return in the statement of activities. The investment and spending policies for the Endowment Fund are discussed in Note 11.

Fixed Assets

CCR capitalizes all significant expenditures for furniture, equipment, building and improvements. These assets are recorded at cost. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation of furniture and equipment are provided for on a straight line basis over the estimated useful lives of the assets. Building and improvements are amortized over the estimated useful lives of the assets.

Charitable Gift Annuities

Annuity agreements are issued in exchange for a payment that constitutes part charitable contribution and part purchase of an annuity, providing for payments to the stated annuitant(s) during their lifetime(s). These agreements constitute a general obligation of CCR. Contribution revenues are recognized when annuity agreements are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits. Additional information about charitable gift annuities is found in Note 12.

Annuity Payment Liability

Annuity payment liability represents actuarially determined liabilities for obligations of gift annuity contracts.

Financial Statement Presentation

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

(Continue)

CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Non-Cash Contributions

Donated goods and services are reflected in the statement of activities at their fair values. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Legal Fee Awards

Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976, legal fees and expenses may be awarded in certain court cases. The amounts of these awards are the result of court determinations and appellate decisions, or negotiations between the parties to the actions. Management anticipates but is unable to determine the amount or timing of receipt of legal awards with any degree of accuracy to CCR. Accordingly, its accounting policy is to accrue an award only when, in its judgement, the amount appears relatively certain of collection.

Grant Expenses

Contributions made and unconditional promises to give are recognized as expenses in the period made at their fair value.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, CCR's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. CCR's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(Continue)

CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Taxes

CCR is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and similar provisions of the State Code. Contributions to CCR are tax deductible to donors under Section 170 of the IRC. CCR is not classified as a private foundation.

Accounting for Uncertainty in Income Taxes

CCR adopted *Financial Accounting Standards Board* ("FASB") guidance on uncertain income tax positions in its financial statements. CCR recognizes the effect of tax positions only when they are more likely than not of being sustained. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Financial Assets:	
Cash and cash equivalents	\$ 8,476,586
Short term investments	18,630,247
Accounts and accrued interest receivable	36,208
Pledges, grants and contributions receivable	2,437,698
Investments restricted for endowment	<u>2,944,504</u>
Total Financial Assets	32,525,243
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 10)	(3,879,526)
Split-interest agreements (Note 12)	(1,525,267)
Donor-restricted endowment funds (Note 11)	(2,079,011)
Less board designated endowment fund (Note 8)	<u>(865,493)</u>
Amount available for general Expenditures within one year	<u>\$ 24,175,946</u>

The above table reflects donor-restricted and board designated endowment funds as unavailable because it is CCR's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Trustees could appropriate resources from either the donor-restricted funds available for general use (\$976,705, of which \$1,102,306 are the original gifts) or from its designated endowment fund (\$865,493). Notes 8 and 11 provides more information about these funds.

As part of the liquidity management plan, CCR invests cash in excess of daily requirements in short term investments (Note 4).

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of June 30, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Certificates of deposit	\$ 16,866,000	\$ 16,891,267	\$ 25,267
Equity securities	2,473,861	3,135,334	661,473
Mutual funds - fixed income	131,815	133,967	2,152
Mutual funds - domestic equity	382,352	387,736	5,384
Exchange-traded funds - fixed income	41,734	44,899	3,165
Corporate and foreign bonds	665,211	716,522	51,311
U.S. Government obligations	<u>255,501</u>	<u>265,026</u>	<u>9,525</u>
Total	<u>\$ 20,816,474</u>	21,574,751	<u>\$ 758,277</u>
Investments restricted for endowment		<u>2,944,504</u>	
Investments		<u>\$ 18,630,247</u>	

Total investment earnings consist of the following:

Interest and dividends	\$ 353,674
Investment expenses	(<u>40,077</u>)
Net investment income	313,597
Net realized gains on investment transactions	129,041
Net unrealized gains on investments	<u>142,895</u>
Net investment return	<u>\$ 585,533</u>

Investments are measured at fair value. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted market prices in active markets for identical assets and liabilities. The types of investments in Level 1 generally include listed equities, and mutual funds and exchange-traded funds that hold equities.

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**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS - (Continued)

Level 2: Significant observable inputs, other than those included in Level 1, such as unadjusted quoted market prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets and liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Investments in this category generally include corporate debt, U.S. government debt, and fixed income mutual funds and exchange-traded funds.

Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimates. Investments in this category generally include equity and debt positions in private companies and real estate and ownership interests in alternative investment that cannot be redeemed in the near term.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table sets forth by level, within the fair value hierarchy, CCR's financial instruments at fair value as of June 30, 2020:

	<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>
Certificates of deposit	\$ 16,891,267		\$ 16,891,267
Equity securities	3,135,334	\$ 3,135,334	
Mutual funds - fixed income	133,967		133,967
Mutual funds - domestic equity	387,736	387,736	
Exchange-traded funds - fixed income	44,899	44,899	
Corporate and foreign bonds	716,522		716,522
U.S. Government obligations	<u>265,026</u>		<u>265,026</u>
Total Investments	<u>\$ 21,574,751</u>	<u>\$ 3,567,969</u>	<u>\$ 18,006,782</u>

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 PROMISES TO GIVE

Unconditional promises to give as of June 30, 2020 are as follows:

Receivable in less than one year	\$ 1,091,044
Receivable in one to five years	<u>1,425,000</u>
Total unconditional promises to give	2,516,044
Less: net present value discount	(<u>78,346</u>)
Net unconditional promises to give	<u>\$ 2,437,698</u>
Current	\$ 1,091,044
Non-current	<u>1,346,654</u>
Net unconditional promises to give	<u>\$ 2,437,698</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 3.25%.

CCR also received total conditional promises to give of \$1,435,227, which consists of: (1) \$935,227 for the next three years, which is subject to the satisfactory performance of the Bertha Justice Initiative Fellows Program, and (2) \$100,000 for each of the next five years for future litigation funds, which is contingent upon CCR matching the amount of \$100,000 each year in new or increased funding.

NOTE 6 FIXED ASSETS

As of June 30, 2020, the costs of the assets and the related accumulated depreciation and amortization were as follows:

Building and improvements	\$ 2,617,930
Furniture and fixtures	7,945
Equipment	47,200
Computer and software	130,798
Phone system	<u>14,104</u>
	2,817,977
Less: accumulated depreciation and amortization	(<u>2,698,890</u>)
Net	<u>\$ 119,087</u>

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NOTE 7 LOAN PAYABLE

In March 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government.

On April 22, 2020, CCR obtained a two year \$1,291,817 loan, which bears interest at a fixed rate of 1% per annum. CCR must pay monthly principal and interest payments on the outstanding principal balance of the loan amortized over the term of the loan, unless otherwise forgiven in whole or part in accordance with the (“CARES Act”), beginning seven months from April 22, 2020 until the maturity date of April 22, 2022 when the entire principal balance remaining unpaid, along with all accrued and unpaid interest, shall be due and payable in full.

NOTE 8 BOARD DESIGNATED RESERVE AND ENDOWMENT FUNDS

In prior years, reserve funds were designated by the Board of Trustees to provide long-term support for the following purposes. Investment earnings from the reserve funds are added to the existing reserve funds.

Reserve for future programs and operations	\$ 15,325,635
Litigation fund	<u>1,461,298</u>
Total Board designated reserve funds	16,786,933
Board designated endowment	<u>865,493</u>
Total Board designated funds	<u>\$ 17,652,426</u>

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year ended June 30, 2020 were as follows:

Satisfaction of purpose restrictions:	
Bertha Justice Initiative Fellows	\$ 408,504
Bayou Bridge Pipeline	1,000
Gender Justice Copelon Fund	30,600
Global Detention and Rendition Project	56,647
Immigration	70,787
Institutional Strengthening Project	125,782
International Human Rights	49,740
Internships and Fellowships	15,000

(Continue)

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NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS - (Continued)

Satisfaction of purpose restrictions:	
Litigation and Advocacy	\$ 15,000
Mississippi Prison Reform Coalition	5,000
Racial Awareness Project	2,000
Southern Office	<u>3,000</u>
	783,060
Satisfaction of time restrictions:	
General Support designated for 2020	<u>734,167</u>
Total	<u>\$ 1,517,227</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020, net assets with donor restrictions are available for the following:

Purpose restrictions, available for spending:	
Bertha Justice Initiative Fellows	\$ 412,810
Capital Campaign	550,000
Gender Justice Copelon Fund	275,000
Global Detention and Rendition Project	118,228
Gregory Finger Racial Justice Fellowship Fund	57,621
Immigration	9,213
Institutional Strengthening Project	1,881,654
Litigation and Advocacy	500,000
Racial Awareness Project	<u>75,000</u>
Total purpose-restricted net assets	<u>3,879,526</u>
Time restrictions:	
Time restricted support, which are unavailable for spending until the time stipulated by donors	<u>1,245,836</u>
Split-interest agreements, which are unavailable for spending until the deaths of the beneficiaries	<u>1,525,267</u>
Endowment Funds, which must be appropriated by the Board of Trustees before use:	
Donor-restricted (principal)	1,102,306
Unappropriated earnings	<u>976,705</u>
Total Endowment Funds	<u>2,079,011</u>
Total Net Assets with Donor Restrictions	<u>\$ 8,729,640</u>

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NOTE 11 ENDOWMENT FUNDS

CCR's endowment consists of several individual funds established for a variety of purposes either by donors (referred to as *donor-restricted endowment funds*) and by resources set aside by the Board of Trustees to function as endowments (referred to as *board designated endowment funds*). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditures by the board of trustees. The Board of Trustees of CCR may appropriate for expenditures or accumulate so much of an endowment fund as CCR determines as prudent for the uses, benefits, purposes and duration for which the fund was established, subject to the intent of the donor as expressed in the gift instrument.

Endowment funds by net assets classification as of June 30, 2020 are as follows:

<u>Type of Endowment Fund</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds		\$ 2,079,011	\$ 2,079,011
Board designated endowment	\$ 865,493		865,493
Total	<u>\$ 865,493</u>	<u>\$ 2,079,011</u>	<u>\$ 2,944,504</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets as of June 30, 2019	\$ 865,493	\$ 1,871,906	\$ 2,737,399
Net investment income		27,123	27,123
Net appreciation (realized and unrealized)		<u>179,982</u>	<u>179,982</u>
Endowment Net Assets as of June 30, 2020	<u>\$ 865,493</u>	<u>\$ 2,079,011</u>	<u>\$ 2,944,504</u>

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NOTE 12 CHARITABLE GIFT ANNUITY / SPLIT-INTEREST AGREEMENTS

CCR entered into charitable gift annuity contracts with several donors. The agreements provide for, among other matters, annuity payments over the lifetime of the individual donors or their designated beneficiary or beneficiaries. Annuity payment liability represents actuarially determined liabilities for obligations of gift annuity contracts.

On August 5, 2008, State of New York Insurance Department (the “Department”) issued a regulation regarding reserves being held by charitable organizations in support of gift annuities. The regulation requires, among other things, the minimum reserve held must be at least as great as 115% of the reserve calculated using the Department’s prescribed method.

Gift assets are separately invested by CCR in annuity and reserve accounts for New York and California. As of June 30, 2020, the annuity and reserve accounts had a balance of \$1,636,940 in the account for New York and \$161,149 in the account for California, which exceeded the States’ required reserve amounts of \$356,889 by \$1,441,200.

As of June 30, 2020, CCR held investments of \$1,797,719 relating to split-interest agreements that are classified as net assets with donor restrictions because they are unavailable for spending until the deaths of the donors or other beneficiaries.

Adjustments to the annuity payment liability to reflect amortization of discount and changes in the life expectancy of the beneficiaries are recognized in the statement of activities as changes in the value of split-interest agreements. Changes in value of split-interest agreements were \$31,495 for the year.

There was the following activity in the split-interest obligations during the year ended June 30, 2020:

Split-interest obligations as of June 30, 2019	\$ 381,804
Payments to beneficiaries	(140,847)
Changes in value of split-interest agreements	<u>31,495</u>
Split-interest obligations as of June 30, 2020	<u>\$ 272,452</u>

NOTE 13 PENSION PLAN

CCR sponsors a defined contribution pension plan that covers all employees who have completed one year of service. Contribution to the plan is based on seven (7) percent of employees’ salaries. Pension expenses for the year included contributions for the year ended June 30, 2020 of \$412,180.

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NOTE 14 CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject CCR to concentrations of credit risk, consist of cash, money market accounts and investment securities.

CCR maintains its cash in bank accounts in several financial institutions which, at times, may exceed federally insured limits. CCR has not experienced any losses in such accounts.

CCR maintains money market and investment accounts with three creditworthy, high-quality financial institutions. CCR has significant investments in stocks, bonds, mutual funds and a community investment note and therefore, is subject to concentrations of credit risk. Investments in marketable securities are made by investment managers engaged by CCR and the investments are monitored for CCR by the investment advisors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of CCR.

NOTE 15 FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing CCR's services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied.

Administrative and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fund raising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 16 SUBSEQUENT EVENTS

CCR has evaluated subsequent events through November 30, 2020, which is the date the financial statements were available to be issued.

In response to an order by the Governor of New York related to the coronavirus (COVID-19) in March 2020, CCR closed their physical office on a short-term basis but maintained member and client support with staff working remotely. CCR does not know the overall effect on its operations from this closure.