

CENTER FOR CONSTITUTIONAL RIGHTS
INDEPENDENT AUDITORS' REPORT
ON
FINANCIAL STATEMENTS
AS OF JUNE 30, 2013
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 AUDITORS' 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, 2013, 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 the 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 the 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, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Winnie Lam & Co., P.C." The signature is written in black ink and is positioned to the right of the date and location text.

New York, New York
October 16, 2013

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,397,848	\$ 581,496		\$ 1,979,344
Investments - Notes 2 and 4	1,230,911			1,230,911
Pledges, grants and contributions receivable - Notes 2 and 3	4,753	1,904,698		1,909,451
Accounts and accrued interest receivable	19,734		\$ 4,863	24,597
Prepaid expenses	46,786			46,786
Total Current Assets	2,700,032	2,486,194	4,863	5,191,089
<u>Non-Current Assets</u>				
Cash restricted for endowment			105,204	105,204
Investments restricted for endowment - Notes 2 and 4	60,000	407,596	950,239	1,417,835
Pledges, grants and contributions receivable - Notes 2 and 3		81,533		81,533
Utility deposits	4,880			4,880
Fixed assets, at cost, net of accumulated depreciation of \$1,951,112 - Notes 2 and 5	657,224			657,224
Art work	95,177			95,177
Total Assets	\$ 3,517,313	\$ 2,975,323	\$ 1,060,306	\$ 7,552,942
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts and accrued expenses payable	\$ 562,715			\$ 562,715
Annuity payment liability - current portion - Note 10	115,821			115,821
Total Current Liabilities	678,536			678,536
<u>Non-Current Liability</u>				
Annuity payment liability - Note 10	549,586			549,586
Total Liabilities	1,228,122			1,228,122
<u>NET ASSETS</u> - Notes 6, 8, and 9				
Unrestricted - Operating	336,354			336,354
Unrestricted - Board designated reserve funds	1,228,016			1,228,016
Unrestricted - Board designated endowment	60,000			60,000
Unrestricted - Reserve for annuity payment liability - Note 10	664,821			664,821
Temporarily restricted		\$ 2,975,323		2,975,323
Permanently restricted			\$ 1,060,306	1,060,306
Total Net Assets	2,289,191	2,975,323	1,060,306	6,324,820
Total Liabilities and Net Assets	\$ 3,517,313	\$ 2,975,323	\$ 1,060,306	\$ 7,552,942

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>
<u>Revenue, Gains and Other Support</u>				
Grants and contributions	\$ 3,640,988	\$ 2,255,693		\$ 5,896,681
In-kind contributions	971			971
Court awards and attorney fees	528,820			528,820
Net investment income	22,439	23,043		45,482
Net realized gains on investment transactions	126,840	71,940		198,780
Other income	<u>25,238</u>			<u>25,238</u>
Total Revenue, Gains and Other Support	4,345,296	2,350,676		6,695,972
Net assets released from restrictions - Note 7	<u>3,359,033</u>	<u>(3,359,033)</u>		<u>-</u>
Total Revenue, Gains and Other Support	<u>7,704,329</u>	<u>(1,008,357)</u>		<u>6,695,972</u>
<u>Expenses</u>				
Program Services				
Litigation	4,186,937			4,186,937
Education and outreach	<u>1,907,582</u>			<u>1,907,582</u>
Total Program Services	<u>6,094,519</u>			<u>6,094,519</u>
Supporting Services				
Administrative and general	769,696			769,696
Fund raising	<u>1,029,099</u>			<u>1,029,099</u>
Total Supporting Services	<u>1,798,795</u>			<u>1,798,795</u>
Total Expenses	<u>7,893,314</u>			<u>7,893,314</u>
Change in Net Assets before				
Other Changes in Net Assets	<u>(188,985)</u>	<u>(1,008,357)</u>		<u>(1,197,342)</u>
Other Changes in Net Assets:				
Net unrealized gains on investments	251,723	30,921		282,644
Changes in value of split-interest agreements - Note 10	<u>(60,847)</u>			<u>(60,847)</u>
Total Other Changes in Net Assets	<u>190,876</u>	<u>30,921</u>		<u>221,797</u>
Change in Net Assets	1,891	(977,436)		(975,545)
Net Assets as of June 30, 2012	<u>2,287,300</u>	<u>3,952,759</u>	<u>\$ 1,060,306</u>	<u>7,300,365</u>
Net Assets as of June 30, 2013	<u>\$ 2,289,191</u>	<u>\$ 2,975,323</u>	<u>\$ 1,060,306</u>	<u>\$ 6,324,820</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services
	Litigation	Education and Outreach	Total	Administrative and General	Fund Raising	Total	
Salaries	\$ 2,351,399	\$ 1,110,613	\$ 3,462,012	\$ 452,319	\$ 619,041	\$ 1,071,360	\$ 4,533,372
Payroll taxes and employee benefits	743,250	351,052	1,094,302	142,973	195,671	338,644	1,432,946
Total Salaries and Related Expenses	3,094,649	1,461,665	4,556,314	595,292	814,712	1,410,004	5,966,318
Consultants	350,819	209,308	560,127	46,778	9,014	55,792	615,919
Travel expenses	214,465	38,571	253,036	701	27,117	27,818	280,854
Court and legal costs	27,232		27,232				27,232
Printing and publications	16,739	61,732	78,471	2,742	48,372	51,114	129,585
Telephone and communications	37,544	9,241	46,785	4,621	6,354	10,975	57,760
Postage and mailing	46,162	18,526	64,688	1,530	21,723	23,253	87,941
Supplies and minor equipment purchases	26,681	7,261	33,942	3,203	4,779	7,982	41,924
Insurance	37,550	2,579	40,129	1,290	1,773	3,063	43,192
Building maintenance and storage rental	93,122	22,923	116,045	11,461	15,759	27,220	143,265
Books and subscriptions	23,597	18,483	42,080	2,856	617	3,473	45,553
Legal and accounting fees				36,809		36,809	36,809
Occupancy costs	18,161	4,470	22,631	2,235	3,073	5,308	27,939
Equipment rental and maintenance	38,324	9,444	47,768	5,002	15,617	20,619	68,387
Meetings and conferences	14,739	1,690	16,429	3,489	4,442	7,931	24,360
Grant expenses	53,682	3,250	56,932				56,932
Event expenses (including in-kind contributions of \$971)	20,032	8,155	28,187	1,885	43,438	45,323	73,510
Miscellaneous	705	12,380	13,085	40,850		40,850	53,935
Total Expenses Before Depreciation	4,114,203	1,889,678	6,003,881	760,744	1,016,790	1,777,534	7,781,415
Depreciation	72,734	17,904	90,638	8,952	12,309	21,261	111,899
Total Expenses	\$ 4,186,937	\$ 1,907,582	\$ 6,094,519	\$ 769,696	\$ 1,029,099	\$ 1,798,795	\$ 7,893,314

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

Cash Flows From Operating Activities

Change in Net Assets	(\$ 975,545)
Adjustments to reconcile change in Net Assets to net cash used in operating activities	
Depreciation	111,899
Net realized gains on investment transactions	(198,780)
Net unrealized gains on investments	(282,644)
Change in assets and liabilities:	
Decrease in grants and contributions receivable	144,700
Decrease in accounts and accrued interest receivable	448
Increase in prepaid expenses	(552)
Increase in accounts and accrued expenses payable	147,035
Increase in annuity payment liability	<u>108,785</u>
 Net Cash Used in Operating Activities	 (944,654)

Cash Flows From Investing Activities

Acquisition of fixed assets	(342,574)
Purchases of investments	(1,022,816)
Proceeds from sale of investments	2,969,394
Change in cash restricted for endowment	<u>(52,678)</u>
 Net Cash Provided by Investing Activities	 <u>1,551,326</u>

Net Increase in Cash and Cash Equivalents	606,672
Cash and cash equivalents as of June 30, 2012	<u>1,372,672</u>
Cash and cash equivalents as of June 30, 2013	<u>\$ 1,979,344</u>

Supplemental disclosures of cash flow information:

Gifts of securities	<u>\$ 103,905</u>
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See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 is committed to the creative use of law as a positive force for social change.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below:

Support

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are received to discount the amounts.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by donor. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

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.

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.

Board and donor designated endowment investments are classified as non-current regardless of maturity date due to restrictions limiting CCR's ability to use these investments.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 allocated to the unrestricted, temporarily and permanently restricted net assets are recognized as incurred. They are recorded in the Statement of Activities as income or loss in accordance with donors restrictions.

Fixed Assets

All major acquisitions of fixed assets are capitalized and depreciated over their estimated useful lives using the straight-line method.

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. The gift portion of annuities and investment reserves in excess of liabilities are reported as unrestricted net assets-reserve for annuity payment liability.

Annuity Payment Liability

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

Financial Statement Presentation

The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by CCR is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CCR.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by CCR is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CCR pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - Board Designated Funds - Net assets consist of all monies or assets contributed to CCR which are designated by the Board of Directors to provide long-term financial support.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unrestricted - Reserve for Annuity payment liability - Net assets reserves to fund future payments to annuitants.

Unrestricted - Operating - The part of net assets that is neither permanently nor temporarily restricted by the Board or donor-imposed stipulations.

Non-Cash Contributions

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.

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 in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

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. Income determined to be unrelated business income is taxable.

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, nor of any exposure to unrelated business income tax.

NOTE 3 PROMISES TO GIVE

Unconditional promises to give as of June 30, 2013 are as follows:

Receivable in less than one year	\$ 1,909,451
Receivable in one to five years	<u>89,092</u>
Total unconditional promises to give	1,998,543
Less net present value discount	<u>7,559</u>
Net unconditional promises to give	<u>\$ 1,990,984</u>

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

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 INVESTMENTS

Investments are stated at fair value and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Real estate investment trusts	\$ 573	\$ 500	(\$ 73)
Equity securities	570,528	699,929	129,401
Mutual funds	279,655	295,808	16,153
Corporate debt securities	158,822	156,751	(2,071)
U.S. Government obligations	<u>70,224</u>	<u>77,923</u>	<u>7,699</u>
Total	<u>\$ 1,079,802</u>	<u>\$ 1,230,911</u>	<u>\$ 151,109</u>

Investments restricted for endowment are stated at fair value and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Real estate investment trusts	\$ 6,561	\$ 5,726	(\$ 835)
Equity securities	719,101	921,811	202,710
Mutual funds	273,848	292,356	18,508
Corporate debt securities	79,604	81,162	1,558
U.S. Government obligations	<u>117,896</u>	<u>116,780</u>	<u>(1,116)</u>
Total	<u>\$ 1,197,010</u>	<u>\$ 1,417,835</u>	<u>\$ 220,825</u>

The investment income consist of the following:

Interest and dividends	\$ 70,844
Investment expenses	<u>(25,362)</u>
Net investment income	45,482
Net realized loss on investment transactions	198,780
Net unrealized loss on investments	<u>282,644</u>
Total	<u>\$ 526,906</u>

CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 FIXED ASSETS

As of June 30, 2013, the costs of the assets and the related accumulated depreciation were as follows:

Building and improvements	\$ 2,477,516
Furniture and fixtures	4,730
Computer and software	<u>126,090</u>
	2,608,336
 Less - accumulated depreciation	 <u>1,951,112</u>
 Net	 <u>\$ 657,224</u>

Fully depreciated fixed assets of \$153,835 have been disposed of during the year.

NOTE 6 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 special programs and projects	\$ 724,529
Litigation fund	<u>503,487</u>
 Total Board designated reserve funds	 1,228,016
 Board designated endowment	 <u>60,000</u>
 Total Board designated reserve and endowment funds	 <u>\$ 1,288,016</u>

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released during the year ended June 30, 2013 are as follows:

Satisfaction of purpose restrictions:	
Litigation and Advocacy	\$ 353,106
Social Justice Institute	1,192,560
Capacity Building	46,964
Racial Justice	157,446
Internships and Fellowships	5,000
Global Detention and Rendition Project	517,742
Post 9/11 Civil Liberties work	291,686
Police Accountability	114,914
Support designated for legal cases	1,156
The Copelon Fund for Gender Justice	176,000
International Human Rights	28,762
Travel	9,000
Appropriated endowment earnings	<u>250,000</u>
	3,144,336
Satisfaction of time restrictions:	
General support designated for 2013	<u>214,697</u>
Total	<u>\$ 3,359,033</u>

NOTE 8 TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets as of June 30, 2013 are available for the following:

Social Justice Institute	\$ 1,081,778
International Human Rights	21,238
Internships and Fellowships	10,766
Global Detention and Rendition Project	138,805
Post 9/11 Civil Liberties work	331,234
Police Accountability	40,000
Support designated for legal cases	252
The Copelon Fund for Gender Justice	505,700
Gregory Finger Racial Justice Fellowship Fund	100,186
General support designated for future periods	676,230
Unappropriated endowment earnings	<u>69,134</u>
Total	<u>\$ 2,975,323</u>

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 ENDOWMENT NET ASSETS

CCR's endowment consist of several individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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. 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures in a manner consistent with the standard of prudence prescribed by the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Endowment funds by net assets classification as of June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 69,134	\$ 1,060,306	\$ 1,129,440
Board-designated endowment funds	<u>\$ 60,000</u>			<u>60,000</u>
Total endowment funds	<u>\$ 60,000</u>	<u>\$ 69,134</u>	<u>\$ 1,060,306</u>	<u>\$ 1,189,440</u>

Changes in endowment net assets for the fiscal year ended June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets as of June 30, 2012	\$ 60,000	\$ 193,230	\$ 1,060,306	\$ 1,313,536
Net investment income		23,043		23,043
Net appreciation (realized and unrealized)		102,861		102,861
Appropriated earnings		(250,000)		(250,000)
Endowment Net Assets as of June 30, 2013	<u>\$ 60,000</u>	<u>\$ 69,134</u>	<u>\$ 1,060,306</u>	<u>\$ 1,189,440</u>

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 CHARITABLE GIFT ANNUITY

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. As of June 30, 2013, annuity payment liability was \$665,407. 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 value of split-interest agreements in the unrestricted net assets. Changes in value of split-interest agreements were \$60,847 for the year.

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 an annuity and reserve account. As of June 30, 2013, the annuity and reserve account had a balance of \$1,330,228, which exceeds the Department's required reserve amount of \$940,735 by \$389,493.

The excess of the annuity and reserve assets over annuity payment liability of \$664,821 is reflected as reserve for annuity payment liability in the unrestricted net assets in the statement of financial position.

NOTE 11 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 three (3) percent of employees' salaries. For the year ended June 30, 2013, the amount of pension expenses was \$131,887.

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

CCR follows FASB guidance on *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. As defined in FASB *Accounting Standards Codification* ("ASC") 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

CCR utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. CCR's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

The three levels of fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The following methods and assumptions were used by CCR in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents and short-term unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Investments and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.
- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a discount rate of 3.25%, the prime rate as of June 30, 2013.
- Annuity payment liability: The fair value is estimated based on the present value of its future cash flows and applicable mortality tables.

The estimated fair values of CCR's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 1,979,344	\$ 1,979,344
Investments	1,230,911	1,230,911
Pledges, grants and contributions receivable - Unconditional promises to give	1,990,984	1,990,984
Endowment investment:		
Cash and cash equivalents	105,204	105,204
Investments	1,417,835	1,417,835

(Continue)

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NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

The estimated fair values of CCR's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial liability:		
Annuity payment liability	\$ 665,407	\$ 665,407

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Unobservable Inputs (Level 3)</u>
Investments	\$ 1,230,911	\$ 1,230,911	
Endowment investments	1,417,835	1,417,835	
Annuity payment liability	665,407		\$ 665,407

NOTE 13 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and fund raising activities benefitted.

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 three bank accounts in a single financial institution 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 two creditworthy, high-quality financial institutions. CCR has significant investments in stocks, bonds, and mutual funds and therefore, is subject to concentrations of credit risk. Investments 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.

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NOTE 15 SUBSEQUENT EVENTS

CCR evaluated subsequent events through October 16, 2013, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.