

**CENTER FOR CONSTITUTIONAL RIGHTS**

**INDEPENDENT AUDITORS' REPORT  
ON  
FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2011**

**AND**

**FOR THE YEAR THEN ENDED**

**CENTER FOR CONSTITUTIONAL RIGHTS**

**- CONTENTS -**

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position as of June 30, 2011	2
Statement of Activities for the year ended June 30, 2011	3
Statement of Functional Expenses for the year ended June 30, 2011	4
Statement of Cash Flows for the year ended June 30, 2011	5
Notes to Financial Statements	6-16

---

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 statement of financial position of Center for Constitutional Rights as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center for Constitutional Rights' management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Center for Constitutional Rights as of June 30, 2011 and the change in net assets and its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

*Winnie Tam & Co., P.C.*

New York, New York  
September 7, 2011

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 892,317	\$ 1,829,553		\$ 2,721,870
Investments - Notes 2 and 4	2,248,547	71,138		2,319,685
Pledges, grants and contributions receivable - Notes 2 and 3	19,197	1,069,697		1,088,894
Accounts and accrued interest receivable	20,958		\$ 3,268	24,226
Prepaid expenses	<u>55,238</u>			<u>55,238</u>
<b>Total Current Assets</b>	<u>3,236,257</u>	<u>2,970,388</u>	<u>3,268</u>	<u>6,209,913</u>
<b><u>Non-Current Assets</u></b>				
Cash restricted for endowment			144,341	144,341
Investments restricted for endowment - Notes 2 and 4	60,000	196,985	910,197	1,167,182
Pledges, grants and contributions receivable - Notes 2 and 3		368,257		368,257
Utility deposits	4,880			4,880
Fixed assets, at cost, net of accumulated depreciation of \$1,930,503 - Notes 2 and 5	520,214			520,214
Art work	<u>95,177</u>			<u>95,177</u>
<b>Total Assets</b>	<u>\$ 3,916,528</u>	<u>\$ 3,535,630</u>	<u>\$ 1,057,806</u>	<u>\$ 8,509,964</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts and accrued expenses payable	\$ 323,488			\$ 323,488
Annuity payment liability - current portion - Note 10	95,056			95,056
Grants payable	<u>7,533</u>			<u>7,533</u>
<b>Total Current Liabilities</b>	<u>426,077</u>			<u>426,077</u>
<b><u>Non-Current Liability</u></b>				
Annuity payment liability - Note 10	<u>357,784</u>			<u>357,784</u>
<b>Total Liabilities</b>	<u>783,861</u>			<u>783,861</u>
<b><u>NET ASSETS - Notes 6, 8, and 9</u></b>				
Unrestricted - Operating	1,150,110			1,150,110
Unrestricted - Board designated reserve funds	1,440,681			1,440,681
Unrestricted - Board designated endowment	60,000			60,000
Unrestricted - Reserve for annuity payment liability - Note 10	481,876			481,876
Temporarily restricted		\$ 3,535,630		3,535,630
Permanently restricted			<u>\$ 1,057,806</u>	<u>1,057,806</u>
<b>Total Net Assets</b>	<u>3,132,667</u>	<u>3,535,630</u>	<u>1,057,806</u>	<u>7,726,103</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,916,528</u>	<u>\$ 3,535,630</u>	<u>\$ 1,057,806</u>	<u>\$ 8,509,964</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>
<b><u>Revenue, Gains and Other Support</u></b>				
Grants and contributions	\$ 2,979,567	\$ 3,111,069	\$ 28,220	\$ 6,118,856
In-kind contributions	3,609			3,609
Special event income	5,530			5,530
Court awards and attorney fees	39,081			39,081
Investment income	34,443	17,527		51,970
Net realized gains on investment transactions	33,908	27,293		61,201
Other income	6,798			6,798
<b>Total Revenue, Gains and Other Support</b>	<b>3,102,936</b>	<b>3,155,889</b>	<b>28,220</b>	<b>6,287,045</b>
Net assets released from restrictions - Note 7	<u>3,286,461</u>	<u>( 3,286,461)</u>		<u>-</u>
<b>Total Revenue, Gains and Other Support</b>	<b>6,389,397</b>	<b>( 130,572)</b>	<b>28,220</b>	<b>6,287,045</b>
<b><u>Expenses</u></b>				
<b>Program Services</b>				
Litigation	3,357,105			3,357,105
Education and outreach	1,760,987			1,760,987
<b>Total Program Services</b>	<b>5,118,092</b>			<b>5,118,092</b>
<b>Supporting Services</b>				
Administrative and general	668,758			668,758
Fund raising	880,153			880,153
<b>Total Supporting Services</b>	<b>1,548,911</b>			<b>1,548,911</b>
<b>Total Expenses</b>	<b>6,667,003</b>			<b>6,667,003</b>
<b>Change in Net Assets before Other Changes in Net Assets</b>	<b>( 277,606)</b>	<b>( 130,572)</b>	<b>28,220</b>	<b>( 379,958)</b>
<b>Other Changes in Net Assets:</b>				
Net unrealized gains on investments	158,512	146,527		305,039
Changes in value of split-interest agreements - Note 10	( 73,696)			( 73,696)
Reclassification of unappropriated endowment earnings - Note 9	( 5,638)	5,638		-
<b>Total Other Changes in Net Assets</b>	<b>( 79,178)</b>	<b>152,165</b>		<b>231,343</b>
<b>Change in Net Assets</b>	<b>( 198,428)</b>	<b>21,593</b>	<b>28,220</b>	<b>( 148,615)</b>
Net Assets as of June 30, 2010	<u>3,331,095</u>	<u>3,514,037</u>	<u>1,029,586</u>	<u>7,874,718</u>
Net Assets as of June 30, 2011	<u>\$ 3,132,667</u>	<u>\$ 3,535,630</u>	<u>\$ 1,057,806</u>	<u>\$ 7,726,103</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011**

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services
	Litigation	Education and Outreach	Total	Administrative and General	Fund Raising	Total	
Salaries	\$ 1,917,390	\$ 880,806	\$ 2,798,196	\$ 407,371	\$ 512,430	\$ 919,801	\$ 3,717,997
Payroll taxes and employee benefits	550,293	252,792	803,085	116,916	147,068	263,984	1,067,069
<b>Total Salaries and Related Expenses</b>	<b>2,467,683</b>	<b>1,133,598</b>	<b>3,601,281</b>	<b>524,287</b>	<b>659,498</b>	<b>1,183,785</b>	<b>4,785,066</b>
Consultants (including donated services of \$750)	206,202	272,496	478,698	21,749	14,908	36,657	515,355
Travel expenses	151,302	56,891	208,193	962	24,633	25,595	233,788
Court and legal costs	27,748		27,748				27,748
Printing and publications (including in-kind contributions of \$250)	10,572	86,383	96,955	5,820	34,957	40,777	137,732
Telephone and communications	51,619	17,145	68,764	3,653	9,038	12,691	81,455
Postage and mailing	33,301	10,329	43,630	1,337	35,204	36,541	80,171
Supplies and minor equipment purchases	28,946	9,967	38,913	3,281	4,887	8,168	47,081
Insurance	35,571	2,072	37,643	1,036	1,424	2,460	40,103
Building maintenance and storage rental	118,407	29,147	147,554	14,573	20,038	34,611	182,165
Books and subscriptions	19,926	52,481	72,407	6,744	648	7,392	79,799
Legal and accounting fees				29,121		29,121	29,121
Occupancy costs	24,276	5,976	30,252	2,988	4,108	7,096	37,348
Equipment rental and maintenance	44,995	11,075	56,070	5,538	7,615	13,153	69,223
Meetings and conferences	10,919	16,036	26,955	5,078	3,137	8,215	35,170
Grant expense	25,000		25,000				25,000
Event expenses (including in-kind contributions of \$2,609)		23,250	23,250	9,114	43,177	52,291	75,541
Advertising and recruitment	247	247	247	796		796	1,043
Miscellaneous	638	9,586	10,224	20,404		20,404	30,628
<b>Total Expenses Before Depreciation</b>	<b>3,257,352</b>	<b>1,736,432</b>	<b>4,993,784</b>	<b>656,481</b>	<b>863,272</b>	<b>1,519,753</b>	<b>6,513,537</b>
Depreciation	99,753	24,555	124,308	12,277	16,881	29,158	153,466
<b>Total Expenses</b>	<b>\$ 3,357,105</b>	<b>\$ 1,760,987</b>	<b>\$ 5,118,092</b>	<b>\$ 668,758</b>	<b>\$ 880,153</b>	<b>\$ 1,548,911</b>	<b>\$ 6,667,003</b>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Cash Flows From Operating Activities**

Change in Net Assets	(\$ 148,615)
Adjustments to reconcile change in Net Assets to net cash provided by operating activities	
Depreciation	153,466
Net realized gains on investment transactions	( 61,201)
Net unrealized gains on investments	( 305,039)
Change in assets and liabilities:	
Decrease in grants and contributions receivable	910,560
Increase in accounts and accrued interest receivable	( 330)
Decrease in prepaid expenses	109,224
Increase in accounts and accrued expenses payable	65,932
Decrease in annuity payment liability	( 22,304)
 <b>Net Cash Provided by Operating Activities</b>	 <b><u>701,693</u></b>

**Cash Flows From Investing Activities**

Acquisition of fixed assets	( 63,993)
Donated art work	( 19,860)
Purchases of investments	( 3,484,240)
Proceeds from sale of investments	4,440,217
Change in cash restricted for endowment	<u>13,861</u>
 <b>Net Cash Provided by Investing Activities</b>	 <b><u>885,985</u></b>

<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,587,678</b>
Cash and cash equivalents as of June 30, 2010	<u>1,134,192</u>
Cash and cash equivalents as of June 30, 2011	<u><u>\$ 2,721,870</u></u>

**Supplemental disclosures of cash flow information:**

Gifts of securities	<u>\$ 137,644</u>
 Gifts of art work	 <u>\$ 19,860</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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-free 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days. CCR's cash balances were deposited in several financial institutions. Management believes that CCR is not exposed to any significant credit risk on cash and 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, 2011**

**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 Annuity

Gift annuities are planned giving vehicles, whereby donors gift assets in exchange for annuity payments over the lifetime of the annuitant or their beneficiaries. Assets contributed are separately invested and are used to fund the payments to the annuitants. Annuities that mature are used to fulfill the purposes that were set forth in the original annuity agreement.

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, 2011**

**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.

In-Kind Contributions

In-kind contributions are reflected in the statement of activities at their fair value.

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, 2011 are as follows:

Receivable in less than one year	\$ 1,088,894
Receivable in one to five years	<u>383,488</u>
Total unconditional promises to give	1,472,382
Less net present value discount	<u>15,231</u>
Net unconditional promises to give	<u>\$ 1,457,151</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, 2011**

**NOTE 4 INVESTMENTS**

CCR held \$1,098,319 in certificate of deposits with original maturity dates of greater than three months. Investments are stated at fair value and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Certificate of deposits	\$ 1,098,000	\$ 1,098,319	\$ 319
Equity securities	876,634	864,369	( 12,265)
Mutual funds	80,446	105,658	25,212
Fixed income	227,007	238,275	11,268
Other assets	<u>12,809</u>	<u>13,064</u>	<u>255</u>
Total	<u>\$ 2,294,896</u>	<u>\$ 2,319,685</u>	<u>\$ 24,789</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>
Equity securities	\$ 570,890	\$ 677,125	\$ 106,235
Mutual funds	142,822	163,898	21,076
Fixed income	257,833	258,032	199
Other assets	<u>64,949</u>	<u>68,127</u>	<u>3,178</u>
Total	<u>\$ 1,036,494</u>	<u>\$ 1,167,182</u>	<u>\$ 130,688</u>

The investment returns consist of the following:

Investment income	\$ 51,970
Net realized gains on investment transactions	61,201
Net unrealized gains on investments	<u>305,039</u>
Total	<u>\$ 418,210</u>

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5 FIXED ASSETS**

As of June 30, 2011, the costs of the assets and the related accumulated depreciation were as follows:

Building and improvements	\$ 2,103,205
Furniture and fixtures	125,235
Computer and software	195,607
Telephone system	<u>26,670</u>
	2,450,717
Less - accumulated depreciation	<u>1,930,503</u>
Net	<u>\$ 520,214</u>

**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	\$ 880,562
Reserve for capital projects	58,725
Litigation fund	<u>501,394</u>
Total Board designated reserve funds	1,440,681
Board designated endowment	<u>60,000</u>
Total Board designated reserve and endowment funds	<u>\$ 1,500,681</u>

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS**

The amounts released during the year ended June 30, 2011 are as follows:

Satisfaction of purpose restrictions:	
Litigation and Advocacy	\$ 482,245
Social Justice Institute	98,579
International Human Rights	5,450
Global Detention and Rendition Project	648,723
Capacity Building	802,478
Internships and Fellowships	107,070
Post 9/11 Civil Liberties work	389,570
Police Accountability	55,963
Racial Justice	41,548
Support designated for legal cases	637
Translation, printing and distribution of a special publication	<u>24,500</u>
	2,656,763
Satisfaction of time restrictions:	
General support designated for 2011	<u>629,698</u>
Total	<u>\$ 3,286,461</u>

**NOTE 8 TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted net assets as of June 30, 2011 are available for the following:

Litigation and Advocacy	\$ 837,143
Social Justice Institute	901,421
Capacity Building	268,810
Racial Justice	188,452
Internships and Fellowships	45,750
Global Detention and Rendition Project	141,058
Post 9/11 Civil Liberties work	455,310
Police Accountability	13,440
Support designated for legal cases	1,569
Training	10,000
The Copelon Fund for Gender Justice	144,060
Gregory Finger Racial Justice Fellowship Fund	77,065
General support designated for future periods	254,567
Unappropriated endowment earnings	<u>196,985</u>
Total	<u>\$ 3,535,630</u>

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 9 ENDOWMENT NET ASSETS**

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). Prior to the adoption of NYPMIFA, New York not-for-profit organizations were allowed to spend the income earned by an endowment fund. However, the endowment fund's principal, its historical value, needed to be preserved. NYPMIFA replaces historical dollar value with a requirement for acting prudently when an organization wishes to spend endowment fund assets. An organization may appropriate for expenditures or accumulate so much of an endowment fund, including principal, as the governing board finds 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.

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 has interpreted NYPMIFA as allowing CCR to 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. As a result of this interpretation, CCR has not changed the way permanently restricted net assets are classified. 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 NYPMIFA. In accordance with NYPMIFA, the board of trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the endowment fund
- The purposes of CCR and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of CCR
- The investment policies of CCR
- Where appropriate, alternatives to spending from the endowment fund and the possible effects of those alternatives on CCR.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 9 ENDOWMENT NET ASSETS - (Continued)**

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 196,985	\$ 1,057,806	\$ 1,254,791
Board-designated endowment funds	\$ 60,000			60,000
Total endowment funds	<u>\$ 60,000</u>	<u>\$ 196,985</u>	<u>\$ 1,057,806</u>	<u>\$ 1,314,791</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets as of June 30, 2010	\$ 50,387		\$ 1,029,586	\$ 1,079,973
Investment return prior to enactment of NYPMIFA:				
Investment income	1,808			1,808
Net appreciation (realized and unrealized)	13,443			13,443
Net Assets reclassification based on change in law	( 5,638)	\$ 5,638		-
Endowment Net Assets after reclassification	60,000	5,638	1,029,586	1,095,224
Investment return after enactment of NYPMIFA:				
Investment income		17,527		17,527
Net appreciation (realized and unrealized)		173,820		173,820
Contributions			28,220	28,220
Endowment Net Assets as of June 30, 2011	<u>\$ 60,000</u>	<u>\$ 196,985</u>	<u>\$ 1,057,806</u>	<u>\$ 1,314,791</u>

Prior to the enactment of NYMIFA, CCR had unappropriated endowment earnings of \$5,638. This amount has been reclassified from unrestricted to temporarily restricted net assets.

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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, 2011, annuity payment liability was \$452,840. 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 \$73,696 for the year.

On August 5, 2008, State of New York Insurance Department (the "Department") issued a new regulation regarding reserves being held by charitable organizations in support of gift annuities. The new 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. To allow charitable organizations time to arrange for the larger reserves they must maintain, the Department will phase in the new reserve requirement over a three-year period beginning with year-end 2008.

Gift assets are separately invested by CCR in an annuity and reserve account. As of June 30, 2011, the annuity and reserve account had a balance of \$934,716 which exceeds the Department's required reserve amount of \$776,060 by \$158,656.

The excess of the annuity and reserve assets over annuity payment liability of \$481,876 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, 2011, the amount of pension expenses was \$107,366.

**NOTE 12 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.



**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 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.

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, 2011.
- Annuity payment liability: The fair value is estimated based on the present value of its future cash flows and applicable mortality tables.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 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>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 2,721,870	\$ 2,721,870
Investments	2,319,685	2,319,685
Pledges, grants and contributions receivable - Unconditional promises to give	1,457,151	1,457,151
<b>Endowment investment:</b>		
Cash and cash equivalents	144,341	144,341
Investments	1,167,182	1,167,182
<b>Financial liabilities:</b>		
Grants payable - Unconditional promises to give	7,533	7,533
Annuity payment liability	452,840	452,840

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 2,721,870	\$ 2,721,870
Endowment investments	1,167,182	1,167,182
	<u>Fair Value</u>	<u>Unobservable Inputs (Level 3)</u>
Annuity payment liability	\$ 452,840	\$ 452,840

**NOTE 14 SUBSEQUENT EVENTS**

CCR evaluated subsequent events through September 7, 2011, 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.