

**CENTER FOR CONSTITUTIONAL RIGHTS**  
**INDEPENDENT AUDITORS' REPORT**  
**ON**  
**FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2012**  
**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 statement of financial position of Center for Constitutional Rights as of June 30, 2012 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, 2012 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  
October 3, 2012

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2012**

	<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	\$ 212,665	\$ 1,160,007		\$ 1,372,672
Investments - Notes 2 and 4	2,374,488	484,964		2,859,452
Pledges, grants and contributions receivable - Notes 2 and 3	18,625	1,868,321		1,886,946
Accounts and accrued interest receivable	20,984		\$ 4,061	25,045
Prepaid expenses	<u>46,234</u>			<u>46,234</u>
<b>Total Current Assets</b>	<b>2,672,996</b>	<b>3,513,292</b>	<b>4,061</b>	<b>6,190,349</b>
<b><u>Non-Current Assets</u></b>				
Cash restricted for endowment			52,526	52,526
Investments restricted for endowment - Notes 2 and 4	60,000	190,729	1,003,719	1,254,448
Pledges, grants and contributions receivable - Notes 2 and 3		248,738		248,738
Utility deposits	4,880			4,880
Fixed assets, at cost, net of accumulated depreciation of \$1,993,048 - Notes 2 and 5	426,549			426,549
Art work	<u>95,177</u>			<u>95,177</u>
<b>Total Assets</b>	<b><u>\$ 3,259,602</u></b>	<b><u>\$ 3,952,759</u></b>	<b><u>\$ 1,060,306</u></b>	<b><u>\$ 8,272,667</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts and accrued expenses payable	\$ 415,680			\$ 415,680
Annuity payment liability - current portion - Note 10	<u>107,176</u>			<u>107,176</u>
<b>Total Current Liabilities</b>	<b>522,856</b>			<b>522,856</b>
<b><u>Non-Current Liability</u></b>				
Annuity payment liability - Note 10	<u>449,446</u>			<u>449,446</u>
<b>Total Liabilities</b>	<b><u>972,302</u></b>			<b><u>972,302</u></b>
<b><u>NET ASSETS</u></b> - Notes 6, 8, and 9				
Unrestricted - Operating	332,293			332,293
Unrestricted - Board designated reserve funds	1,410,935			1,410,935
Unrestricted - Board designated endowment	60,000			60,000
Unrestricted - Reserve for annuity payment liability - Note 10	484,072			484,072
Temporarily restricted		\$ 3,952,759		3,952,759
Permanently restricted			<u>\$ 1,060,306</u>	<u>1,060,306</u>
<b>Total Net Assets</b>	<b><u>2,287,300</u></b>	<b><u>3,952,759</u></b>	<b><u>1,060,306</u></b>	<b><u>7,300,365</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,259,602</u></b>	<b><u>\$ 3,952,759</u></b>	<b><u>\$ 1,060,306</u></b>	<b><u>\$ 8,272,667</u></b>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

	<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	\$ 3,299,255	\$ 3,645,365	\$ 2,500	\$ 6,947,120
Special event income	4,590			4,590
Court awards and attorney fees	46,668			46,668
Net investment income	35,894	24,806		60,700
Net realized loss on investment transactions	( 2,766)	( 9,352)		( 12,118)
Other income	<u>16,515</u>			<u>16,515</u>
<b>Total Revenue, Gains and Other Support</b>	3,400,156	3,660,819	2,500	7,063,475
Net assets released from restrictions - Note 7	<u>3,224,481</u>	<u>( 3,224,481)</u>		<u>-</u>
<b>Total Revenue, Gains and Other Support</b>	<u>6,624,637</u>	<u>436,338</u>	<u>2,500</u>	<u>7,063,475</u>
<b><u>Expenses</u></b>				
<b>Program Services</b>				
Litigation	3,638,007			3,638,007
Education and outreach	<u>2,021,126</u>			<u>2,021,126</u>
<b>Total Program Services</b>	<u>5,659,133</u>			<u>5,659,133</u>
<b>Supporting Services</b>				
Administrative and general	778,109			778,109
Fund raising	<u>911,560</u>			<u>911,560</u>
<b>Total Supporting Services</b>	<u>1,689,669</u>			<u>1,689,669</u>
<b>Total Expenses</b>	<u>7,348,802</u>			<u>7,348,802</u>
<b>Change in Net Assets before Other Changes in Net Assets</b>	<u>( 724,165)</u>	<u>436,338</u>	<u>2,500</u>	<u>( 285,327)</u>
Other Changes in Net Assets:				
Net unrealized loss on investments	( 46,978)	( 19,209)		( 66,187)
Changes in value of split-interest agreements - Note 10	<u>( 74,224)</u>			<u>( 74,224)</u>
<b>Total Other Changes in Net Assets</b>	<u>( 121,202)</u>	<u>( 19,209)</u>		<u>( 140,411)</u>
<b>Change in Net Assets</b>	( 845,367)	417,129	2,500	( 425,738)
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>
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>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012**

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services
	Litigation	Education and Outreach	Total	Administrative and General	Fund Raising	Total	
Salaries	\$ 1,984,504	\$ 1,108,225	\$ 3,092,729	\$ 443,960	\$ 526,293	\$ 970,253	\$ 4,062,982
Payroll taxes and employee benefits	602,945	336,708	939,653	134,887	159,902	294,789	1,234,442
<b>Total Salaries and Related Expenses</b>	<b>2,587,449</b>	<b>1,444,933</b>	<b>4,032,382</b>	<b>578,847</b>	<b>686,195</b>	<b>1,265,042</b>	<b>5,297,424</b>
Consultants	250,591	247,689	498,280	62,515	14,211	76,726	575,006
Travel expenses	209,144	56,939	266,083	1,703	24,093	25,796	291,879
Court and legal costs	14,030		14,030				14,030
Printing and publications	24,641	68,539	93,180	6,043	29,965	36,008	129,188
Telephone and communications	40,493	19,233	59,726	2,597	5,735	8,332	68,058
Postage and mailing	44,888	20,788	65,676	1,601	38,626	40,227	105,903
Supplies and minor equipment purchases	45,224	15,279	60,503	4,408	6,468	10,876	71,379
Insurance	39,715	3,411	43,126	1,556	2,139	3,695	46,821
Building maintenance and storage rental	106,382	26,043	132,425	13,021	17,904	30,925	163,350
Books and subscriptions	25,509	36,043	61,552	2,836	979	3,815	65,367
Legal and accounting fees	1,200		1,200	42,928		42,928	44,128
Occupancy costs	21,211	5,221	26,432	2,611	3,589	6,200	32,632
Equipment rental and maintenance	44,868	7,647	52,515	3,824	14,317	18,141	70,656
Meetings and conferences	11,832	10,550	22,382	4,103	3,122	7,225	29,607
Grant expenses	50,459		50,459				50,459
Event expenses	31,822	23,850	55,672	11,870	49,737	61,607	117,279
Advertising and recruitment	2,258		2,258	660		660	2,918
Miscellaneous	724	13,898	14,622	26,455		26,455	41,077
<b>Total Expenses Before Depreciation</b>	<b>3,552,440</b>	<b>2,000,063</b>	<b>5,552,503</b>	<b>767,578</b>	<b>897,080</b>	<b>1,664,658</b>	<b>7,217,161</b>
Depreciation	85,567	21,063	106,630	10,531	14,480	25,011	131,641
<b>Total Expenses</b>	<b>\$ 3,638,007</b>	<b>\$ 2,021,126</b>	<b>\$ 5,659,133</b>	<b>\$ 778,109</b>	<b>\$ 911,560</b>	<b>\$ 1,689,669</b>	<b>\$ 7,348,802</b>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Cash Flows From Operating Activities**

Change in Net Assets	(\$ 425,738)
Adjustments to reconcile change in Net Assets to net cash used in operating activities	
Depreciation	131,641
Net realized loss on investment transactions	12,118
Net unrealized loss on investments	66,187
Change in assets and liabilities:	
Increase in grants and contributions receivable	( 678,533)
Increase in accounts and accrued interest receivable	( 819)
Decrease in prepaid expenses	9,004
Increase in accounts and accrued expenses payable	92,192
Increase in annuity payment liability	103,782
Decrease in grants payable	( 7,533)
 <b>Net Cash Used in Operating Activities</b>	 <b>( 697,699)</b>

**Cash Flows From Investing Activities**

Acquisition of fixed assets	( 37,976)
Purchases of investments	( 3,364,400)
Proceeds from sale of investments	2,659,062
Change in cash restricted for endowment	<u>91,815</u>
 <b>Net Cash Used in Investing Activities</b>	 <b>( 651,499)</b>

<b>Net Decrease in Cash and Cash Equivalents</b>	<b>( 1,349,198)</b>
Cash and cash equivalents as of June 30, 2011	<u>2,721,870</u>
Cash and cash equivalents as of June 30, 2012	<u><u>\$ 1,372,672</u></u>

**Supplemental disclosures of cash flow information:**

Gifts of securities	<u><u>\$ 108,106</u></u>
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See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012**

**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, 2012**

**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, 2012 are as follows:

Receivable in less than one year	\$ 1,886,946
Receivable in one to five years	<u>268,790</u>
Total unconditional promises to give	2,155,736
Less net present value discount	<u>20,052</u>
Net unconditional promises to give	<u>\$ 2,135,684</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, 2012**

**NOTE 4 INVESTMENTS**

CCR held \$1,529,318 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	\$ 1,530,000	\$ 1,529,318	(\$ 682)
Equity securities	970,169	938,719	( 31,450)
Mutual funds	154,464	157,444	2,980
Corporate debt securities	156,783	154,646	( 2,137)
U.S. Government obligations	<u>70,224</u>	<u>79,325</u>	<u>9,101</u>
Total	<u>\$ 2,881,640</u>	<u>\$ 2,859,452</u>	<u>(\$ 22,188)</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	\$ 644,734	\$ 753,977	\$ 109,243
Mutual funds	240,551	245,088	4,537
Corporate debt securities	139,788	142,111	2,323
U.S. Government obligations	<u>117,896</u>	<u>113,272</u>	<u>( 4,624)</u>
Total	<u>\$ 1,142,969</u>	<u>\$ 1,254,448</u>	<u>\$ 111,479</u>

The investment loss consist of the following:

Interest and dividends	\$ 82,526
Investment expenses	( 21,826)
Net investment income	60,700
Net realized loss on investment transactions	( 12,118)
Net unrealized loss on investments	( 66,187)
Total	<u>(\$ 17,605)</u>

**CENTER FOR CONSTITUTIONAL RIGHTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 5 FIXED ASSETS**

As of June 30, 2012, the costs of the assets and the related accumulated depreciation were as follows:

Building and improvements	\$ 2,139,675
Furniture and fixtures	125,235
Computer and software	147,127
Telephone system	<u>7,560</u>
	2,419,597
Less - accumulated depreciation	<u>1,993,048</u>
Net	<u>\$ 426,549</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	\$ 722,890
Reserve for capital projects	185,448
Litigation fund	<u>502,597</u>
Total Board designated reserve funds	1,410,935
Board designated endowment	<u>60,000</u>
Total Board designated reserve and endowment funds	<u>\$ 1,470,935</u>

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS**

The amounts released during the year ended June 30, 2012 are as follows:

Satisfaction of purpose restrictions:	
Litigation and Advocacy	\$ 551,999
Social Justice Institute	627,083
Capacity Building	221,846
Racial Justice	156,506
Internships and Fellowships	36,667
Global Detention and Rendition Project	400,105
Post 9/11 Civil Liberties work	412,891
Police Accountability	209,226
Support designated for legal cases	161
Training	10,000
The Copelon Fund for Gender Justice	465,709
Gregory Finger Racial Justice Fellowship Fund	5,500
Programmatic Support	30,000
International Human Rights	6,590
Handbook Printing	2,000
Work at SNAP	2,500
Prison Work	<u>1,000</u>
	3,139,783
Satisfaction of time restrictions:	
General support designated for 2012	<u>84,698</u>
Total	<u>\$ 3,224,481</u>

**NOTE 8 TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted net assets as of June 30, 2012 are available for the following:

Litigation and Advocacy	\$ 327,856
Social Justice Institute	1,274,338
Capacity Building	46,964
Racial Justice	107,446
Internships and Fellowships	13,266
Global Detention and Rendition Project	541,297
Post 9/11 Civil Liberties work	92,419
Police Accountability	114,914
Support designated for legal cases	1,408
The Copelon Fund for Gender Justice	676,000
Gregory Finger Racial Justice Fellowship Fund	100,186
General support designated for future periods	463,435
Unappropriated endowment earnings	<u>193,230</u>
Total	<u>\$ 3,952,759</u>

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 193,230	\$ 1,060,306	\$ 1,253,536
Board-designated endowment funds	\$ 60,000			60,000
Total endowment funds	<u>\$ 60,000</u>	<u>\$ 193,230</u>	<u>\$ 1,060,306</u>	<u>\$ 1,313,536</u>

Changes in endowment net assets for the fiscal year ended June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets as of June 30, 2011	\$ 60,000	\$ 196,985	\$ 1,057,806	\$ 1,314,791
Net investment income		24,806		24,806
Net depreciation (realized and unrealized)		( 28,561)		( 28,561)
Contributions			2,500	2,500
Endowment Net Assets as of June 30, 2012	<u>\$ 60,000</u>	<u>\$ 193,230</u>	<u>\$ 1,060,306</u>	<u>\$ 1,313,536</u>

**CENTER FOR CONSTITUTIONAL RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012, annuity payment liability was \$556,622. 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 \$74,224 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, 2012, the annuity and reserve account had a balance of \$1,040,694 which exceeds the Department’s required reserve amount of \$917,690 by \$123,004.

The excess of the annuity and reserve assets over annuity payment liability of \$484,072 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, 2012, the amount of pension expenses was \$113,945.

**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)

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**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, 2012.
- 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	\$ 1,372,672	\$ 1,372,672
Investments	2,859,452	2,859,452
Pledges, grants and contributions receivable - Unconditional promises to give	2,135,684	2,135,684
Endowment investment:		
Cash and cash equivalents	52,526	52,526
Investments	1,254,448	1,254,448

(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	\$ 556,622	\$ 556,622

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	\$ 2,859,452	\$ 1,600,134	\$ 1,259,318
Endowment investments	1,254,448	1,254,448	
Annuity payment liability	556,622		556,622

**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, mutual funds, and certificate of deposits 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 3, 2012, 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.