

CENTER FOR CONSTITUTIONAL RIGHTS
INDEPENDENT AUDITORS' REPORT
ON
FINANCIAL STATEMENTS
AS OF JUNE 30, 2016
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, 2016, 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, 2016 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.

Winn & Co., P.C.

New York, New York
September 12, 2016

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016**

	<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	\$ 1,310,195	\$ 1,958,011		\$ 3,268,206
Investments - Notes 2 and 4	1,565,398			1,565,398
Accounts and accrued interest receivable	9,265			9,265
Pledges, grants and contributions receivable - Notes 2 and 3	39,747	1,124,698		1,164,445
Legal awards receivable	2,163,655			2,163,655
Prepaid expenses	<u>75,630</u>			<u>75,630</u>
Total Current Assets	<u>5,163,890</u>	<u>3,082,709</u>		<u>8,246,599</u>
<u>Non-Current Assets</u>				
Legal awards receivable	13,125			13,125
Investments restricted for endowment - Notes 2 and 4	60,000	134,524	\$ 1,062,306	1,256,830
Utility deposits	4,880			4,880
Fixed assets, at cost, net of accumulated depreciation and amortization of \$2,525,090 - Notes 2 and 5	417,328			417,328
Art work	<u>59,377</u>			<u>59,377</u>
Total Assets	<u>\$ 5,718,600</u>	<u>\$ 3,217,233</u>	<u>\$ 1,062,306</u>	<u>\$ 9,998,139</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts and accrued expenses payable	\$ 363,074			\$ 363,074
Legal awards payable	24,375			24,375
Annuity payment liability - current portion - Note 10	<u>90,827</u>			<u>90,827</u>
Total Current Liabilities	<u>478,276</u>			<u>478,276</u>
<u>Non-Current Liabilities</u>				
Legal awards payable	13,125			13,125
Annuity payment liability - Note 10	<u>465,786</u>			<u>465,786</u>
Total Liabilities	<u>957,187</u>			<u>957,187</u>
<u>NET ASSETS</u> - Notes 6, 8, and 9				
Unrestricted - Operating	284,839			284,839
Unrestricted - Board designated reserve funds	3,480,261			3,480,261
Unrestricted - Board designated endowment	60,000			60,000
Unrestricted - Reserve for annuity payment liability - Note 10	936,313			936,313
Temporarily restricted		\$ 3,217,233		3,217,233
Permanently restricted			\$ 1,062,306	1,062,306
Total Net Assets	<u>4,761,413</u>	<u>3,217,233</u>	<u>1,062,306</u>	<u>9,040,952</u>
Total Liabilities and Net Assets	<u>\$ 5,718,600</u>	<u>\$ 3,217,233</u>	<u>\$ 1,062,306</u>	<u>\$ 9,998,139</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 3,640,566	\$ 3,755,912		\$ 7,396,478
Court awards and attorney fees	2,331,863			2,331,863
Special events income	24,265			24,265
Net investment income	17,591	19,205		36,796
Net realized gains on investment transactions	9,244	34,420		43,664
Other income	<u>9,756</u>			<u>9,756</u>
Total Revenue, Gains and Other Support	6,033,285	3,809,537		9,842,822
Net assets released from restrictions - Note 7	<u>2,538,747</u>	<u>(2,538,747)</u>		<u>-</u>
Total Revenue, Gains and Other Support	<u>8,572,032</u>	<u>1,270,790</u>		<u>9,842,822</u>
<u>Expenses</u>				
Program Services				
Litigation	3,953,231			3,953,231
Education and outreach	<u>1,715,058</u>			<u>1,715,058</u>
Total Program Services	<u>5,668,289</u>			<u>5,668,289</u>
Supporting Services				
Administrative and general	814,765			814,765
Fund raising	<u>936,586</u>			<u>936,586</u>
Total Supporting Services	<u>1,751,351</u>			<u>1,751,351</u>
Total Expenses	<u>7,419,640</u>			<u>7,419,640</u>
Change in Net Assets before Other Changes in Net Assets	<u>1,152,392</u>	<u>1,270,790</u>		<u>2,423,182</u>
<u>Other Changes in Net Assets:</u>				
Net unrealized loss on investments	(94,831)	(137,755)		(232,586)
Changes in value of split-interest agreements - Note 10	<u>(56,727)</u>			<u>(56,727)</u>
Total Other Changes in Net Assets	<u>(151,558)</u>	<u>(137,755)</u>		<u>(289,313)</u>
Change in Net Assets	1,000,834	1,133,035		2,133,869
Net Assets as of June 30, 2015	<u>3,760,579</u>	<u>2,084,198</u>	<u>\$ 1,062,306</u>	<u>6,907,083</u>
Net Assets as of June 30, 2016	<u>\$ 4,761,413</u>	<u>\$ 3,217,233</u>	<u>\$ 1,062,306</u>	<u>\$ 9,040,952</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services
	Litigation	Education and Outreach	Total	Administrative and General	Fund Raising	Total	
Salaries	\$ 2,431,775	\$ 1,009,077	\$ 3,440,852	\$ 469,676	\$ 504,210	\$ 973,886	\$ 4,414,738
Payroll taxes and employee benefits	578,589	240,088	818,677	111,749	119,966	231,715	1,050,392
Total Salaries and Related Expenses	3,010,364	1,249,165	4,259,529	581,425	624,176	1,205,601	5,465,130
Consultants	113,270	115,886	229,156	44,473	124,395	168,868	398,024
Travel expenses	212,991	84,970	297,961	3,880	17,557	21,437	319,398
Court and legal costs	20,040		20,040				20,040
Printing and publications	458	41,686	42,144	2,405	43,590	45,995	88,139
Telephone and communications	28,290	14,397	42,687	2,240	5,358	7,598	50,285
Postage and mailing	16,802	3,945	20,747	1,154	18,125	19,279	40,026
Supplies and minor equipment purchases	22,701	6,522	29,223	2,762	3,898	6,660	35,883
Insurance	27,989	6,890	34,879	3,445	4,736	8,181	43,060
Building maintenance and storage rental	90,509	22,279	112,788	11,140	15,317	26,457	139,245
Books and subscriptions	27,302	8,267	35,569	2,802	1,107	3,909	39,478
Legal and accounting fees	874		874	45,308		46,182	46,182
Occupancy costs	19,429	4,783	24,212	2,391	3,288	5,679	29,891
Equipment rental and maintenance	41,357	10,319	51,676	5,198	12,901	18,099	69,775
Meetings and conferences	20,466	5,448	25,914	9,827	4,161	13,988	39,902
Grant expenses	23,000		23,000				23,000
Legal awards for clients	80,000		80,000				80,000
Event expenses	15,561	96,420	111,981	8,296	27,689	35,985	147,966
Miscellaneous	2,852	25	2,877	65,991		65,991	68,868
Total Expenses Before Depreciation and Amortization	3,774,255	1,671,002	5,445,257	792,737	906,298	1,699,035	7,144,292
Depreciation and amortization	178,976	44,056	223,032	22,028	30,288	52,316	275,348
Total Expenses	\$ 3,953,231	\$ 1,715,058	\$ 5,668,289	\$ 814,765	\$ 936,586	\$ 1,751,351	\$ 7,419,640

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Cash Flows From Operating Activities

Change in Net Assets	\$ 2,133,869
Adjustments to reconcile change in Net Assets to net cash provided by operating activities	
Depreciation and amortization	275,348
Net realized gains on investment transactions	(43,664)
Net unrealized loss on investments	232,586
Change in assets and liabilities:	
Decrease in accounts and accrued interest receivable	7,090
Increase in grants and contributions receivable	(103,548)
Increase in legal awards receivable	(2,176,780)
Increase in prepaid expenses	(27,620)
Increase in accounts and accrued expenses payable	22,673
Increase in legal awards payable	37,500
Decrease in annuity payment liability	(37,066)
Net Cash Provided by Operating Activities	320,388

Cash Flows From Investing Activities

Purchases of investments	(804,714)
Proceeds from sale of investments	853,783
Net Cash Provided by Investing Activities	49,069

Net Increase in Cash and Cash Equivalents	369,457
Cash and cash equivalents as of June 30, 2015	2,898,749
Cash and cash equivalents as of June 30, 2016	\$ 3,268,206

Supplemental disclosures of cash flow information:

Gifts of securities	<u>\$ 215,011</u>
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See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

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.

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

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Legal Fee Awards

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

Grant Expenses

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

Use of Estimates

The preparation of financial statements 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. CCR is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2013 and prior years.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 PROMISES TO GIVE

Included in "Grants and Contributions receivable" are unconditional promises to give for the following:

General Support	\$ 39,747
General Support designated for 2017	586,997
International Human Rights	20,000
Bertha Justice Initiative Fellows Program	<u>517,701</u>
Total	<u>\$ 1,164,445</u>

All unconditional promises to give are due in less than one year.

CCR also received conditional promises to give of \$555,890, which is subject to the satisfactory performance of the Bertha Justice Initiative Fellows Program for the initial grant period and \$100,000 for each of the next nine years for future litigation funds, which is contingent upon CCR matching the amount of \$100,000 each year in new or increased funding.

NOTE 4 INVESTMENTS

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Equity securities	\$ 1,596,924	\$ 1,756,605	\$ 159,681
Mutual funds	330,603	352,668	22,065
Corporate debt securities	648,632	651,127	2,495
U.S. Government obligations	<u>60,194</u>	<u>61,828</u>	<u>1,634</u>
Total	<u>\$ 2,636,353</u>	\$ 2,822,228	<u>\$ 185,875</u>
Investments restricted for endowment		<u>1,256,830</u>	
Investments		<u>\$ 1,565,398</u>	

Total investment returns consist of the following:

Interest and dividends	\$ 66,709
Investment expenses	(29,913)
Net investment income	36,796
Net realized gains on investment transactions	43,664
Net unrealized loss on investments	(232,586)
Net investment loss	<u>(\$ 152,126)</u>

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 FIXED ASSETS

As of June 30, 2016, the costs of the assets and the related accumulated depreciation and amortization were as follows:

Building and improvements	\$ 2,493,510
Furniture and fixtures	7,945
Equipment	47,200
Computer and software	115,957
Website	<u>277,806</u>
	2,942,418
Less: accumulated depreciation and amortization	(<u>2,525,090</u>)
Net	<u>\$ 417,328</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 fiscal year 2017 operations	\$ 392,650
Reserve for future programs and operations	2,583,966
Litigation fund	<u>503,645</u>
Total Board designated reserve funds	3,480,261
Board designated endowment	<u>60,000</u>
Total Board designated reserve and endowment funds	<u>\$ 3,540,261</u>

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released during the year ended June 30, 2016 were as follows:

Satisfaction of purpose restrictions:	
Capacity Building	\$ 188,902
Fellows Convening	7,200
Global Detention and Rendition Project	71,670
Government Misconduct and Racial Justice	430,000
International Human Rights	283,825
Internships and Fellowships	15,500
Litigation and Advocacy	70,000
Post 9/11 Civil Liberties work	334,813
Social Justice Institute	894,421

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS - (Continued)

Satisfaction of purpose restrictions:	
The Copelon Fund for Gender Justice	\$ 32,054
Gregory Finger Racial Justice Fellowship Fund	<u>5,665</u>
	2,334,050
Satisfaction of time restrictions:	
General support designated for 2016	<u>204,697</u>
Total	<u>\$ 2,538,747</u>

NOTE 8 TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets as of June 30, 2016 were available for the following:

Capacity Building	\$ 230,445
Event Sponsorship	10,000
Government Misconduct and Racial Justice	7,100
International Human Rights	120,807
Internships and Fellowships	42,500
Social Justice Institute	150,579
Bertha Justice Initiative Fellows Program	517,701
The Copelon Fund for Gender Justice	388,460
Gregory Finger Racial Justice Fellowship Fund	103,121
Funds for Future Litigation	150,000
General support designated for future periods	1,361,996
Unappropriated endowment earnings	<u>134,524</u>
Total	<u>\$ 3,217,233</u>

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.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 ENDOWMENT NET ASSETS - (Continued)

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, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 134,524	\$ 1,062,306	\$ 1,196,830
Board-designated endowment funds	\$ 60,000			60,000
Total endowment funds	<u>\$ 60,000</u>	<u>\$ 134,524</u>	<u>\$ 1,062,306</u>	<u>\$ 1,256,830</u>

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets as of June 30, 2015	\$ 60,000	\$ 218,654	\$ 1,062,306	\$ 1,340,960
Net investment income		19,205		19,205
Net appreciation (realized and unrealized)		(103,335)		(103,335)
Endowment Net Assets as of June 30, 2016	<u>\$ 60,000</u>	<u>\$ 134,524</u>	<u>\$ 1,062,306</u>	<u>\$ 1,256,830</u>

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, 2016, annuity payment liability was \$556,613. 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 \$56,727 for the year.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 CHARITABLE GIFT ANNUITY - (Continued)

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

Gift assets are separately invested by CCR in annuity and reserve accounts for New York and California. As of June 30, 2016, the annuity and reserve accounts had a balance of \$1,330,626 in the account for New York and \$162,300 in the account for California, which exceeded the States' required reserve amounts of \$696,806 by \$796,120.

The excess of the annuity and reserve assets over annuity payment liability of \$936,313 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 one (1) percent of employees' salaries. Pension expenses for the year included contributions for the year ended June 30, 2016 of \$43,042.

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.

NOTE 13 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 14 FAIR VALUE MEASUREMENTS

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.

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	\$ 3,268,206	\$ 3,268,206
Investments	1,565,398	1,565,398
Pledges, grants and contributions receivable - Unconditional promises to give	1,164,445	1,164,445
Endowment investments	1,256,830	1,256,830

(Continue)

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NOTE 14 FAIR VALUE MEASUREMENTS - (Continued)

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

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Equity securities	\$ 1,756,605	\$ 1,756,605
Mutual funds	352,668	352,668
Corporate debt securities	651,127	651,127
U.S. Government obligations	<u>61,828</u>	<u>61,828</u>
 Total Investments	 <u>\$ 2,822,228</u>	 <u>\$ 2,822,228</u>

NOTE 15 SUBSEQUENT EVENTS

CCR evaluated subsequent events through September 12, 2016, 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.