

CENTER FOR CONSTITUTIONAL RIGHTS
INDEPENDENT AUDITORS' REPORT
ON
FINANCIAL STATEMENTS
AS OF JUNE 30, 2017
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, 2017, 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, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Wynn & Co., P.C." The signature is written in a cursive, flowing style.

New York, New York
October 6, 2017

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017**

	<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	\$ 10,889,316	\$ 1,713,449		\$ 12,602,765
Investments - Notes 2 and 4	7,269,145			7,269,145
Accounts and accrued interest receivable	22,493			22,493
Pledges, grants and contributions receivable - Notes 2 and 3	31,990	435,000		466,990
Legal awards receivable	13,125			13,125
Prepaid expenses	59,612			59,612
Total Current Assets	18,285,681	2,148,449		20,434,130
<u>Non-Current Assets</u>				
Investments restricted for endowment - Notes 2 and 4	60,000	357,557	\$ 1,062,306	1,479,863
Pledges receivable - Notes 2 and 3		101,114		101,114
Utility deposits	4,880			4,880
Fixed assets, at cost, net of accumulated depreciation and amortization of \$2,775,465 - Notes 2 and 5	261,200			261,200
Art work	59,377			59,377
Total Assets	\$ 18,671,138	\$ 2,607,120	\$ 1,062,306	\$ 22,340,564
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts and accrued expenses payable	\$ 351,682			\$ 351,682
Legal awards payable	13,125			13,125
Annuity payment liability - current portion - Note 10	84,086			84,086
Total Current Liabilities	448,893			448,893
<u>Non-Current Liability</u>				
Annuity payment liability - Note 10	432,220			432,220
Total Liabilities	881,113			881,113
<u>NET ASSETS</u> - Notes 6, 8, and 9				
Unrestricted - Operating	1,353,788			1,353,788
Unrestricted - Board designated reserve funds	15,309,287			15,309,287
Unrestricted - Board designated endowment	60,000			60,000
Unrestricted - Reserve for annuity payment liability - Note 10	1,066,950			1,066,950
Temporarily restricted		\$ 2,607,120		2,607,120
Permanently restricted			\$ 1,062,306	1,062,306
Total Net Assets	17,790,025	2,607,120	1,062,306	21,459,451
Total Liabilities and Net Assets	\$ 18,671,138	\$ 2,607,120	\$ 1,062,306	\$ 22,340,564

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 8,388,747	\$ 2,010,674		\$ 10,399,421
Court awards and attorney fees	12,167,218			12,167,218
Special events income	50,041			50,041
Net investment income	49,643	17,858		67,501
Net realized gains on investment transactions	32,708	45,695		78,403
Other income	<u>11,110</u>			<u>11,110</u>
Total Revenue, Gains and Other Support	20,699,467	2,074,227		22,773,694
Net assets released from restrictions - Note 7	<u>2,843,820</u>	<u>(2,843,820)</u>		<u>-</u>
Total Revenue, Gains and Other Support	<u>23,543,287</u>	<u>(769,593)</u>		<u>22,773,694</u>
<u>Expenses</u>				
Program Services				
Litigation	6,895,077			6,895,077
Education and outreach	<u>1,744,214</u>			<u>1,744,214</u>
Total Program Services	<u>8,639,291</u>			<u>8,639,291</u>
Supporting Services				
Administrative and general	827,874			827,874
Fund raising	<u>1,096,987</u>			<u>1,096,987</u>
Total Supporting Services	<u>1,924,861</u>			<u>1,924,861</u>
Total Expenses	<u>10,564,152</u>			<u>10,564,152</u>
Change in Net Assets before				
Other Changes in Net Assets	<u>12,979,135</u>	<u>(769,593)</u>		<u>12,209,542</u>
<u>Other Changes in Net Assets:</u>				
Net unrealized gains on investments	101,454	159,480		260,934
Changes in value of split-interest agreements - Note 10	<u>(51,977)</u>			<u>(51,977)</u>
Total Other Changes in Net Assets	<u>49,477</u>	<u>159,480</u>		<u>208,957</u>
Change in Net Assets	13,028,612	<u>(610,113)</u>		12,418,499
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>
Net Assets as of June 30, 2017	<u>\$ 17,790,025</u>	<u>\$ 2,607,120</u>	<u>\$ 1,062,306</u>	<u>\$ 21,459,451</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services
	Litigation	Education and Outreach	Total	Administrative and General	Fund Raising	Total	
Salaries	\$ 2,622,858	\$ 1,099,353	\$ 3,722,211	\$ 477,884	\$ 539,463	\$ 1,017,347	\$ 4,739,558
Payroll taxes and employee benefits	669,154	280,471	949,625	121,920	137,630	259,550	1,209,175
Total Salaries and Related Expenses	3,292,012	1,379,824	4,671,836	599,804	677,093	1,276,897	5,948,733
Cooperating attorney fees	2,796,340		2,796,340				2,796,340
Consultants	73,237	125,380	198,617	64,786	198,504	263,290	461,907
Travel expenses	198,865	37,838	236,703	2,974	21,223	24,197	260,900
Court and legal costs	12,096		12,096				12,096
Printing and publications	11,686	24,877	36,563	828	26,533	27,361	63,924
Telephone and communications	24,949	12,939	37,888	1,953	5,153	7,106	44,994
Postage and mailing	16,672	5,110	21,782	712	18,694	19,406	41,188
Supplies and minor equipment purchases	21,571	6,062	27,633	2,548	4,379	6,927	34,560
Insurance	28,609	7,042	35,651	3,521	4,841	8,362	44,013
Building maintenance and storage rental	103,500	25,477	128,977	12,738	17,515	30,253	159,230
Books and subscriptions	29,621	8,312	37,933	3,878	475	4,353	42,286
Legal and accounting fees				51,364		51,364	51,364
Occupancy costs	20,302	4,997	25,299	2,499	3,436	5,935	31,234
Equipment rental and maintenance	47,091	11,871	58,962	5,797	9,366	15,163	74,125
Meetings and conferences	13,908	8,306	22,214	8,855	2,865	11,720	33,934
Grant expenses	26,800		26,800				26,800
Event expenses	10,603	44,854	55,457	3,831	53,530	57,361	112,818
Miscellaneous	415	267	682	41,257	25,152	66,409	67,091
Total Expenses Before Depreciation and Amortization	6,728,277	1,703,156	8,431,433	807,345	1,068,759	1,876,104	10,307,537
Depreciation and amortization	166,800	41,058	207,858	20,529	28,228	48,757	256,615
Total Expenses	\$ 6,895,077	\$ 1,744,214	\$ 8,639,291	\$ 827,874	\$ 1,096,987	\$ 1,924,861	\$ 10,564,152

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows From Operating Activities

Change in Net Assets	\$ 12,418,499
Adjustments to reconcile change in Net Assets to net cash provided by operating activities	
Depreciation and amortization	256,615
Net realized gains on investment transactions	(78,403)
Net unrealized gains on investments	(260,934)
Change in assets and liabilities:	
Increase in accounts and accrued interest receivable	(13,228)
Decrease in grants and contributions receivable	596,341
Decrease in legal awards receivable	2,163,655
Decrease in prepaid expenses	16,018
Decrease in accounts and accrued expenses payable	(11,392)
Decrease in legal awards payable	(24,375)
Decrease in annuity payment liability	(40,307)
Net Cash Provided by Operating Activities	<u>15,022,489</u>

Cash Flows From Investing Activities

Acquisition of fixed assets	(100,487)
Purchases of investments	(6,741,010)
Proceeds from sale of investments	<u>1,153,567</u>
Net Cash Used in Investing Activities	<u>(5,687,930)</u>

Net Increase in Cash and Cash Equivalents	9,334,559
Cash and cash equivalents as of June 30, 2016	<u>3,268,206</u>
Cash and cash equivalents as of June 30, 2017	<u>\$ 12,602,765</u>

Supplemental disclosures of cash flow information:

Gifts of securities	<u>\$ 288,995</u>
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See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017

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, 2017**

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.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 PROMISES TO GIVE

Unconditional promises to give as of June 30, 2017 are as follows:

Receivable in less than one year	\$	466,990
Receivable in one to five years		<u>110,000</u>
Total unconditional promises to give		576,990
Less: net present value discount		<u>(8,886)</u>
Net unconditional promises to give	\$	<u>568,104</u>
Current	\$	466,990
Non-current		<u>101,114</u>
Net unconditional promises to give	\$	<u>568,104</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 4.25%.

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 eight 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 AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of June 30, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Certificates of deposit	\$ 5,515,000	\$ 5,509,119	(\$ 5,881)
Equity securities	1,638,919	2,010,169	371,250
Mutual funds - fixed income	8,739	8,474	(265)
Mutual funds - domestic equity	251,995	330,280	78,285
Exchange-traded funds - equity	30,600	31,043	443
Exchange-traded funds - fixed income	72,831	73,284	453
Corporate and foreign bonds	560,183	564,687	4,504
U.S. Government obligations	<u>223,932</u>	<u>221,952</u>	<u>(1,980)</u>
Total	<u>\$ 8,302,199</u>	\$ 8,749,008	<u>\$ 446,809</u>
Investments restricted for endowment		<u>1,479,863</u>	
Investments		<u>\$ 7,269,145</u>	

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS - (Continued)

Total investment earnings consist of the following:

Interest and dividends	\$ 98,001
Investment expenses	(30,500)
Net investment income	67,501
Net realized gains on investment transactions	78,403
Net unrealized gains on investments	<u>260,934</u>
Net investment return	<u>\$ 406,838</u>

Investments are measured at fair value. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted market prices in active markets for identical assets and liabilities.
- Level 2: Significant observable inputs, other than those included in Level 1, such as unadjusted quoted market prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets and liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

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

The following table sets forth by level, within the fair value hierarchy, CCR's financial instruments at fair value as of June 30, 2017:

	<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Input (Level 2)</u>
Certificates of deposit	\$ 5,509,119		\$ 5,509,119
Equity securities	2,010,169	\$ 2,010,169	
Mutual funds - fixed income	8,474		8,474
Mutual funds - domestic equity	330,280	330,280	
Exchange-traded funds - equity	31,043	31,043	
Exchange-traded funds - fixed income	73,284		73,284
Corporate and foreign bonds	564,687		564,687
U.S. Government obligations	<u>221,952</u>		<u>221,952</u>
Total Investments	<u>\$ 8,749,008</u>	<u>\$ 2,371,492</u>	<u>\$ 6,377,516</u>

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 FIXED ASSETS

As of June 30, 2017, the costs of the assets and the related accumulated depreciation and amortization were as follows:

Building and improvements	\$ 2,590,897
Furniture and fixtures	7,945
Equipment	47,200
Computer and software	112,817
Website	<u>277,806</u>
	3,036,665
Less: accumulated depreciation and amortization	(<u>2,775,465</u>)
Net	<u>\$ 261,200</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 future programs and operations	\$ 14,303,537
Litigation fund	<u>1,005,750</u>
Total Board designated reserve funds	15,309,287
Board designated endowment	<u>60,000</u>
Total Board designated reserve and endowment funds	<u>\$ 15,369,287</u>

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released during the year ended June 30, 2017 were as follows:

Satisfaction of purpose restrictions:	
Bertha Justice Initiative Fellows Program	\$ 474,562
Capacity Building	230,445
Global Detention and Rendition Project	28,750
Government Misconduct and Racial Justice	2,000
Immigration	5,745
International Human Rights	244,499
Internships and Fellowships	12,500
Litigation and Advocacy	65,000
National Security and Human Rights	159,000
Social Justice Institute	150,579

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS - (Continued)

Satisfaction of purpose restrictions:	
The Copelon Fund for Gender Justice	\$ 49,209
Gregory Finger Racial Justice Fellowship Fund	15,500
Event Sponsorship	40,000
Jailhouse Manual	<u>4,034</u>
	1,481,823
Satisfaction of time restrictions:	
General Support designated for 2017	<u>1,361,997</u>
Total	<u>\$ 2,843,820</u>

NOTE 8 TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets as of June 30, 2017 were available for the following:

Bertha Justice Initiative Fellows Program	\$ 43,139
Global Detention and Rendition Project	13,100
International Human Rights	88,089
Internships and Fellowships	40,000
Litigation and Advocacy	200,000
National Security and Human Rights	371,000
The Copelon Fund for Gender Justice	350,000
Gregory Finger Racial Justice Fellowship Fund	103,121
General Support designated for future periods	1,041,114
Unappropriated endowment earnings	<u>357,557</u>
Total	<u>\$ 2,607,120</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, 2017**

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, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 357,557	\$ 1,062,306	\$ 1,419,863
Board-designated endowment funds	<u>\$ 60,000</u>			<u>60,000</u>
Total endowment funds	<u>\$ 60,000</u>	<u>\$ 357,557</u>	<u>\$ 1,062,306</u>	<u>\$ 1,479,863</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets as of June 30, 2016	\$ 60,000	\$ 134,524	\$ 1,062,306	\$ 1,256,830
Net investment income		17,858		17,858
Net appreciation (realized and unrealized)		<u>205,175</u>		<u>205,175</u>
Endowment Net Assets as of June 30, 2017	<u>\$ 60,000</u>	<u>\$ 357,557</u>	<u>\$ 1,062,306</u>	<u>\$ 1,479,863</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, 2017, annuity payment liability was \$516,306. 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 \$51,977 for the year.

(Continue)

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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, 2017, the annuity and reserve accounts had a balance of \$1,424,100 in the account for New York and \$159,156 in the account for California, which exceeded the States' required reserve amounts of \$571,733 by \$1,011,523.

The excess of the annuity and reserve assets over annuity payment liability of \$1,066,950 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. Pension expenses for the year included contributions for the year ended June 30, 2017 of \$144,281.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

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

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

CCR maintains money market and investment accounts with three creditworthy, high-quality financial institutions. CCR has significant investments in stocks, bonds, 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 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 SUBSEQUENT EVENTS

CCR evaluated subsequent events through October 6, 2017, 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.