

CENTER FOR CONSTITUTIONAL RIGHTS
INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS
AS OF JUNE 30, 2023
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 AUDITOR’S REPORT

To the Board of Trustees
Center for Constitutional Rights
New York, New York

Opinion

We have audited the accompanying financial statements of Center for Constitutional Rights (a non-profit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Center for Constitutional Rights and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Constitutional Rights’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform auditing procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center for Constitutional Rights's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Constitutional Rights's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

Winnie Lam & Co., P.C.

New York, New York
December 14, 2023

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 980,335	\$ 2,421,294	\$ 3,401,629
Investments - Notes 2 and 4	22,473,952	1,986,351	24,460,303
Accounts and accrued interest receivable	314,092		314,092
Pledges, grants and contributions receivable - Notes 2 and 5	4,782	1,485,000	1,489,782
Prepaid expenses	<u>197,508</u>		<u>197,508</u>
Total Current Assets	23,970,669	5,892,645	29,863,314
<u>Non-Current Assets</u>			
Investments restricted for Endowment - Notes 2 and 4	3,332,683	3,619,140	6,951,823
Pledges and grants receivable - Notes 2 and 5		1,558,970	1,558,970
Utility deposits	4,880		4,880
Property and equipment, at cost, net of accumulated depreciation and amortization of \$3,145,956 - Notes 2 and 6	5,492,469		5,492,469
Art work	<u>57,327</u>		<u>57,327</u>
Total Assets	<u>\$ 32,858,028</u>	<u>\$ 11,070,755</u>	<u>\$ 43,928,783</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts and accrued expenses payable	\$ 641,329		\$ 641,329
Annuity payment liability - Note 11	<u>51,545</u>		<u>51,545</u>
Total Current Liabilities	692,874		692,874
<u>Non-Current Liability</u>			
Annuity payment liability - Note 11	<u>257,858</u>		<u>257,858</u>
Total Liabilities	<u>950,732</u>		<u>950,732</u>
<u>NET ASSETS</u>			
Without donor restrictions:			
Undesignated	5,864,846		5,864,846
Fixed assets, net	5,492,469		5,492,469
Board designated funds - Note 7	20,549,981		20,549,981
With donor restrictions - Note 9		<u>\$ 11,070,755</u>	<u>11,070,755</u>
Total Net Assets	<u>31,907,296</u>	<u>11,070,755</u>	<u>42,978,051</u>
Total Liabilities and Net Assets	<u>\$ 32,858,028</u>	<u>\$ 11,070,755</u>	<u>\$ 43,928,783</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>
<u>Revenue, Gains and Other Support</u>			
Grants and contributions from:			
Foundations and trusts	\$ 3,326,357	\$ 1,758,350	\$ 5,084,707*
Individuals	1,075,713	68,923	1,144,636
Bequests	6,009,642		6,009,642
Corporations	42,875		42,875
Federations	2,834		2,834
Church	50		50
Non-cash donations	756,225		756,225
Court awards and attorney fees	945,099		945,099
Special events income	91,943		91,943
Net investment income	512,303	73,717	586,020
Net realized gains on investment transactions	61,002	83,604	144,606
Other income	<u>39,787</u>		<u>39,787</u>
Total Revenue, Gains and Other Support	12,863,830	1,984,594	14,848,424
Net assets released from restrictions - Note 8	<u>2,758,509</u>	<u>(2,758,509)</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>15,622,339</u>	<u>(773,915)</u>	<u>14,848,424</u>
<u>Expenses</u>			
Program Services			
Litigation	6,038,942		6,038,942
Advocacy	<u>3,192,298</u>		<u>3,192,298</u>
Total Program Services	<u>9,231,240</u>		<u>9,231,240</u>
Supporting Services			
Administrative and general	1,635,840		1,635,840
Fund raising	<u>1,601,159</u>		<u>1,601,159</u>
Total Supporting Services	<u>3,236,999</u>		<u>3,236,999</u>
Total Expenses	<u>12,468,239</u>		<u>12,468,239</u>
Change in Net Assets before Other Changes in Net Assets	<u>3,154,100</u>	<u>(773,915)</u>	<u>2,380,185</u>
<u>Other Changes in Net Assets:</u>			
Net unrealized gains on investments	364,055	259,562	623,617
Changes in value of split-interest agreements - Note 11		<u>(33,221)</u>	<u>(33,221)</u>
Total Other Changes in Net Assets	<u>364,055</u>	<u>226,341</u>	<u>590,396</u>
Change in Net Assets	3,518,155	<u>(547,574)</u>	2,970,581
Net Assets as of June 30, 2022	<u>28,389,141</u>	<u>11,618,329</u>	<u>40,007,470</u>
Net Assets as of June 30, 2023	<u>\$ 31,907,296</u>	<u>\$ 11,070,755</u>	<u>\$ 42,978,051</u>

* Included in the foundation contributions for the year are gifts to CCR, as advised by individuals, through donor advised funds from other foundations of \$2,872,951.

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Program and Supporting Services
	Litigation	Advocacy	Total	Administrative and General	Fund Raising	Total	
Salaries	\$ 3,414,658	\$ 1,694,989	\$ 5,109,647	\$ 635,361	\$ 1,020,393	\$ 1,655,754	\$ 6,765,401
Payroll taxes and employee benefits	1,036,801	510,543	1,547,344	191,375	307,350	498,725	2,046,069
Total Salaries and Related Expenses	4,451,459	2,205,532	6,656,991	826,736	1,327,743	2,154,479	8,811,470
Cooperating attorney fees	771,957		771,957				771,957
Consultants	107,198	271,377	378,575	245,086	25,936	271,022	649,597
Travel expenses	183,495	145,720	329,215	8,258	5,278	13,536	342,751
Court and legal costs	16,425		16,425				16,425
Printing and publications	8,297	26,360	34,657	1,159	32,925	34,084	68,741
Telephone and communications	27,781	11,401	39,182	30,789	11,891	42,680	81,862
Postage and mailing	9,519	100	9,619	4,500	24,918	29,418	39,037
Supplies and minor equipment purchases	17,263	28,618	45,881	64,885	25,721	90,606	136,487
Insurance	42,209	5,196	47,405	28,899	3,129	32,028	79,433
Building maintenance and storage rental	128,667	63,868	192,535	23,941	38,449	62,390	254,925
Books and subscriptions	62,514	39,474	101,988	22,614	5,941	28,555	130,543
Legal and accounting fees				125,048		125,048	125,048
Occupancy costs	17,893	8,882	26,775	3,330	5,347	8,677	35,452
Equipment rental and maintenance	17,451	8,663	26,114	6,589	5,215	11,804	37,918
Meetings and conferences	24,593	17,809	42,402	128,696	3,177	131,873	174,275
Legal awards expense	15,404		15,404				15,404
Event expenses	4,263	294,500	298,763		46,572	46,572	345,335
Recruitment expense	1,933		1,933	57,045		57,045	58,978
Miscellaneous	389	153	542	34,033		34,033	34,575
Total Expenses before Depreciation and amortization	5,908,710	3,127,653	9,036,363	1,611,608	1,562,242	3,173,850	12,210,213
Depreciation and amortization	130,232	64,645	194,877	24,232	38,917	63,149	258,026
Total Expenses	<u>\$ 6,038,942</u>	<u>\$ 3,192,298</u>	<u>\$ 9,231,240</u>	<u>\$ 1,635,840</u>	<u>\$ 1,601,159</u>	<u>\$ 3,236,999</u>	<u>\$ 12,468,239</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Cash Flows From Operating Activities</u>	
Change in Net Assets	\$ 2,970,581
Adjustments to reconcile change in Net Assets	
to net cash provided by operating activities	
Depreciation and amortization	258,026
Net realized gains on investment transactions	(144,606)
Net unrealized gains on investments	(623,617)
Change in assets and liabilities:	
Increase in accounts and accrued interest receivable	(249,322)
Decrease in pledges, grants and contributions receivable	1,571,516
Decrease in legal awards receivable	308,027
Increase in prepaid expenses	(19,620)
Decrease in accounts and accrued expenses payable	(8,396)
Decrease in legal awards payable	(98,000)
Decrease in deferred event revenue	(33,470)
Decrease in annuity payment liability	(26,090)
Net Cash Provided by Operating Activities	<u>3,905,029</u>
<u>Cash Flows From Investing Activities</u>	
Acquisition of fixed assets	(33,950)
Purchases of investments	(26,802,620)
Proceeds from sale of investments	<u>22,589,396</u>
Net Cash Used in Investing Activities	<u>(4,247,174)</u>
Net Decrease in Cash and Cash Equivalents	(342,145)
Cash and cash equivalents as of June 30, 2022	<u>3,743,774</u>
Cash and cash equivalents as of June 30, 2023	<u>\$ 3,401,629</u>
<u>Supplemental disclosures of cash flow information:</u>	
Gifts of securities	<u>\$ 756,225</u>

See accompanying notes to financial statements.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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 works creatively to advance and defend the constitutional and human rights of social justice movements and communities under threat and helps them build power.

CCR is committed to dismantling systems of oppression and fighting for justice through litigation, advocacy, and narrative shifting.

- Litigation: What is legal is not always just. CCR uses creative and aggressive legal strategies to fight the most virulent forms of oppression and push the law to meet the demands of justice.
- Advocacy: CCR prioritize forms of advocacy that complement its legal strategies with short- and long-term campaigns, policy work, trainings, public education, and thought leadership. Alliances with communities, organizations, activists, and storytellers help build power where it's most needed.
- Narrative shifting: CCR uses media and thought leadership to challenge dominant narratives and make space for the voices and experiences of those who have been pushed to the margins. These tactics allow them to shape public opinion about the issues they fight for, which can initially be seen as controversial, and create opportunities to dismantle institutionalized power while building the power of social movements.

Management and general activities include the functions necessary to provide support for CCR's program activities. They include activities that provide governance (Board of Trustees), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fund raising activities include publicizing and conducting fund raising campaigns; maintaining donor lists; and other activities involved with soliciting contributions from foundations, individuals, and others.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CCR prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by CCR are described below to enhance the usefulness and understandability of the financial statements.

(Continue)

CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

Support and Revenue

CCR recognizes private grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or not. For those recognized as contributions, revenue is recognized when a contract or grant becomes unconditional, that is, when the conditions on which they depend are substantially met. Contracts and grants may be conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Contracts and grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred is classified as deferred revenue in the statement of financial position.

If a contract or grant agreement contains a right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to overcome, CCR recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

Grants and contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reflected as current promises to give and are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are reflected as long-term promises to give and are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

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.

Short Term 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.

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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 are recognized as incurred. They are recorded in the Statement of Activities as income or loss in accordance with donors' restrictions.

Endowment and Long-term Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support CCR's activities.
- Board designated endowments, which are resources set aside by the Board of Trustees for an indeterminate period to operate in a manner similar to a donor-restricted perpetual endowment. Because a board designated endowment results from an internal designation, it can be spent upon action of the Board of Trustees.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources. Endowment investments are reported at fair value with changes to fair value reported as investment return in the statement of activities. The investment and spending policies for the Endowment Funds are discussed in Note 10.

Fixed Assets

CCR capitalizes all significant expenditures for furniture, equipment, building and improvements. These assets are recorded at cost. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation of furniture and equipment are provided for on a straight line basis over the estimated useful lives of the assets. Building and improvements are amortized over the estimated useful lives of the assets.

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. Contribution revenues are recognized when annuity agreements are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits. Additional information about charitable gift annuities is found in Note 11.

Annuity Payment Liability

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

(Continue)

CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial Statement Presentation

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Non-Cash Contributions

Donated securities and other non-cash donations are recorded as contributions at their fair values at the time of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. CCR reports expirations of donor restrictions when the donated assets are placed in service, if applicable, as instructed by the donor. CCR reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by CCR. CCR also received donated services from other contributors and volunteers that do not meet the criteria for recognition, and therefore, are excluded from the financial statements.

Revenue Recognition

CCR recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. ASC Topic 606 requires that an organization recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods or services.

(Continue)

CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The guidance requires an organization to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the organization satisfies a performance obligation.

Special Events Revenue

The portion of sponsorship revenue and attendee fees that relates to the commensurate value the sponsor and attendee receives in return is recognized when the related events are held and performance obligations are met. Amounts received in advance of the events are reflected in the statement of financial position as deferred event revenue.

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 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. On an ongoing basis, CCR's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. CCR's management believes that the estimates and assumptions are reasonable in the circumstances; however, the 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. Contributions to CCR are tax deductible to donors under Section 170 of the IRC. CCR is not classified as a private foundation.

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.

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 are:

Financial Assets:	
Cash and cash equivalents	\$ 3,401,629
Short term investments	24,460,303
Accounts and accrued interest receivable	314,092
Pledges, grants and contributions receivable	3,048,752
Investments restricted for endowment	<u>6,951,823</u>
Total Financial Assets	38,176,599
Less financial assets not available within one year:	
Pledges and grants receivable (Note 5)	(1,558,970)
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 9)	(2,002,066)
Split-interest agreements (Note 11)	(1,905,579)
Donor-restricted endowment funds (Note 10)	(3,619,140)
Less board designated endowment fund (Note 7)	(<u>3,232,403</u>)
Amount available for general Expenditures within one year	<u>\$ 25,858,441</u>

The above table reflects donor-restricted and board designated endowment funds as unavailable because it is CCR's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Trustees could appropriate resources from either the donor-restricted funds available for general use (\$1,516,834, of which \$2,102,306 are the original gifts) or from its designated endowment fund (\$3,232,403). Notes 7 and 10 provides more information about these funds. As part of the liquidity management plan, CCR invests cash in excess of daily requirements in short term investments (Note 4).

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of June 30, 2023:

	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)
Certificates of deposit	\$ 22,639,000	\$ 22,473,936	(\$ 165,064)
Equity securities	4,869,215	5,798,603	929,388

(Continue)

**CENTER FOR CONSTITUTIONAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS - (Continued)

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Mutual funds - fixed income	\$ 139,499	\$ 121,814	(\$ 17,685)
Mutual funds - domestic equity	851,667	939,151	87,484
Corporate and foreign bonds	1,820,498	1,715,570	(104,928)
U.S. Government obligations	<u>383,638</u>	<u>363,052</u>	<u>(20,586)</u>
Total	<u>\$ 30,703,517</u>	31,412,126	<u>\$ 708,609</u>
Investments restricted for endowment		<u>6,951,823</u>	
Investments		<u>\$ 24,460,303</u>	

Total investment earnings consist of the following:

Interest and dividends	\$ 650,548
Investment expenses	<u>(64,528)</u>
Net investment income	586,020
Net realized gains on investment transactions	144,606
Net unrealized gains on investments	<u>623,617</u>
Net investment return	<u>\$ 1,354,243</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. The types of investments in Level 1 generally include listed equities, and mutual funds and exchange-traded funds that hold equities.
- 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. Investments in this category generally include corporate debt, U.S. government debt, and fixed income mutual funds and exchange-traded funds.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS - (Continued)

Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimates. Investments in this category generally include equity and debt positions in private companies and real estate and ownership interests in alternative investment that cannot be redeemed in the near term.

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, 2023:

	<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 Inputs (Level 2)</u>
Certificates of deposit	\$ 22,473,936		\$ 22,473,936
Equity securities	5,798,603	\$ 5,798,603	
Mutual funds - fixed income	121,814		121,814
Mutual funds - domestic equity	939,151	939,151	
Corporate and foreign bonds	1,715,570		1,715,570
U.S. Government obligations	<u>363,052</u>		<u>363,052</u>
Total Investments	<u>\$ 31,412,126</u>	<u>\$ 6,737,754</u>	<u>\$ 24,674,372</u>

NOTE 5 PROMISES TO GIVE

Unconditional promises to give as of June 30, 2023 are as follows:

Receivable in less than one year	\$ 1,489,782
Receivable in one to five years	<u>1,715,000</u>

(Continue)

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NOTE 5 PROMISES TO GIVE - (Continued)

Total unconditional promises to give	\$ 3,204,782
Less: net present value discount	<u>(156,030)</u>
Net unconditional promises to give	<u>\$ 3,048,752</u>
Current	\$ 1,489,782
Non-current	<u>1,558,970</u>
Net unconditional promises to give	<u>\$ 3,048,752</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 4.49%.

CCR also received a conditional promise to give of \$406,588 for next fiscal year, which is subject to the satisfactory performance of the Bertha Justice Initiative Fellows Program.

NOTE 6 PROPERTY AND EQUIPMENT

As of June 30, 2023, the costs of the assets and the related accumulated depreciation and amortization were as follows:

Building and improvements	\$ 8,382,542
Furniture and fixtures	7,945
Equipment	47,200
Computer and software	186,634
Phone system	<u>14,104</u>
	8,638,425
Less: accumulated depreciation and amortization	<u>(3,145,956)</u>
Net	<u>\$ 5,492,469</u>

Depreciation and amortization expense for the year ended June 30, 2023 was \$258,026.

NOTE 7 BOARD DESIGNATED RESERVES AND ENDOWMENT FUNDS

Reserve funds were designated by the Board of Trustees to provide long-term support for the following purposes. Investment earnings from the endowment and reserve funds are added to the existing endowment and reserve funds.

Reserve for future programs and operations	\$ 15,826,178
Litigation fund	<u>1,491,400</u>

(Continue)

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 BOARD DESIGNATED RESERVES AND ENDOWMENT FUNDS -
(Continued)

Total Board designated reserve funds	\$ 17,317,578
Board designated endowment fund	<u>3,232,403</u>
Total Board designated funds	<u>\$ 20,549,981</u>

NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year ended June 30, 2023 were as follows:

Satisfaction of purpose restrictions:	
Bertha Justice Initiative Fellows	\$ 305,204
Capital Campaign	219,424
Equation Campaign	150,000
Gender Justice Copelon Fund	40,000
Global Detention and Rendition Project	25,000
Institutional Strengthening Project	366,672
International Human Rights	35,000
Internships and Fellowships	20,000
Lawyering for Liberation Conference	419,350
Litigation and Advocacy	20,000
Racial Awareness Project	18,639
Travel Support for Convening	<u>24,220</u>
	1,643,509
Satisfaction of time restrictions:	
General Support designated for 2023	<u>1,115,000</u>
Total	<u>\$ 2,758,509</u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023, net assets with donor restrictions are available for the following:

Purpose restrictions, available for spending:	
Bertha Justice Initiative Fellows	\$ 592,994
Capital Campaign	43,623
Gender Justice Copelon Fund	225,000
Gregory Finger Racial Justice Fellowship Fund	59,621
Institutional Strengthening Project	580,828
Litigation and Advocacy	<u>500,000</u>
Total purpose-restricted net assets	<u>2,002,066</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS - (Continued)

Time restrictions:	
Time restricted support, which are unavailable for spending until the time stipulated by donors	<u>\$ 3,543,970</u>
Split-interest agreements, which are unavailable for spending until the deaths of the beneficiaries	<u>1,905,579</u>
Endowment Funds, which must be appropriated by the Board of Trustees before use:	
Donor-restricted (principal)	2,102,306
Unappropriated earnings	<u>1,516,834</u>
Total Endowment Funds	<u>3,619,140</u>
Total Net Assets with Donor Restrictions	<u>\$ 11,070,755</u>

NOTE 10 ENDOWMENT FUNDS

CCR's endowment consists of several individual funds established for a variety of purposes either by donors (referred to as *donor-restricted endowment funds*) and by resources set aside by the Board of Trustees to function as endowments (referred to as *board designated endowment funds*). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 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.

Endowment funds by net assets classification as of June 30, 2023 are as follows:

<u>Type of Endowment Fund</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds		\$ 3,619,140	\$ 3,619,140
Board designated endowment fund	<u>\$ 3,232,403</u>	<u> </u>	<u>3,232,403</u>
Total	<u>\$ 3,232,403</u>	<u>\$ 3,619,140</u>	<u>\$ 6,851,543</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENT FUNDS - (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets as of June 30, 2022	\$ 2,806,051	\$ 3,395,064	\$ 6,201,115
Net investment income	57,828	30,467	88,295
Net appreciation (realized and unrealized)	<u>368,524</u>	<u>193,609</u>	<u>562,133</u>
Endowment Net Assets as of June 30, 2023	<u>\$ 3,232,403</u>	<u>\$ 3,619,140</u>	<u>\$ 6,851,543</u>

NOTE 11 CHARITABLE GIFT ANNUITY / SPLIT-INTEREST AGREEMENTS

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.

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, 2023, the annuity and reserve accounts had a balance of \$2,025,766 in the account for New York and \$189,604 in the account for California, which exceeded the States’ required reserve amounts of \$401,292 by \$1,814,078.

As of June 30, 2023, CCR held investments of \$2,214,983 relating to split-interest agreements that are classified as net assets with donor restrictions because they are unavailable for spending until the deaths of the donors or other beneficiaries.

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 the value of split-interest agreements. Changes in value of split-interest agreements were \$33,221 for the year.

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NOTE 11 CHARITABLE GIFT ANNUITY / SPLIT-INTEREST AGREEMENTS -
(Continued)

There was the following activity in the split-interest obligations during the year ended June 30, 2023:

Split-interest obligations as of June 30, 2022	\$ 335,493
New agreements signed, gift portion of \$24,637	25,363
Payments to beneficiaries	(84,674)
Changes in value of split-interest agreements	<u>33,221</u>
Split-interest obligations as of June 30, 2023	<u>\$ 309,403</u>

NOTE 12 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 seven (7) percent of employees' salaries. Pension expenses for the year included contributions for the year ended June 30, 2023 of \$457,636.

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 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, federal credit unions, and investment accounts with various financial institutions. CCR has significant investments in stocks, bonds, mutual funds, and certificates of deposit and therefore, is subject to concentrations of credit risk. Investments in marketable securities 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.

NOTE 14 FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing CCR's services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied.

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NOTE 14 FUNCTIONAL ALLOCATION OF EXPENSES - (Continued)

Administrative and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fund raising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 15 SUBSEQUENT EVENTS

CCR evaluated subsequent events through December 14, 2023, 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.

NOTE 16 RECENT ACCOUNTING PRONOUNCEMENTS

In September 2020, the Financial Accounting Standards Board (“FASB”) issued the Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. CCR has adopted and implemented this pronouncement on July 1, 2021 using the prospective method of application.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update includes a lease accounting model that recognizes two types of leases -- finance leases and operating lease. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. This ASU is effective for fiscal years beginning after December 15, 2021. Management has reviewed and evaluated its contracts and agreements, and does not expect this ASU to have a significant impact on CCR’s financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and in June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made*. The amendments in this update should assist in evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. CCR had adopted both ASU 2014-09 and 2018-08 in fiscal year 2020 and the adoption did not have a material impact on its financial statements.