Constitutional Rights Foundation

Financial Statements
and Other Audit Report

December 31, 2019
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<td>21 - 22</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR'S REPORT

Board of Directors
Constitutional Rights Foundation
Los Angeles, California

We have audited the accompanying financial statements of Constitutional Rights Foundation (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2019, 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 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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 from 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 Constitutional Rights Foundation as of December 31, 2019, 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.
Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation has implemented Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, and ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 13 to the financial statements, on March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. Potential impacts to the Foundation include disruptions or restrictions on the Foundation's ability to operate its programs and on its employees' ability to work. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control over financial reporting and compliance.

Armanino LLP
Los Angeles, California

June 17, 2020
Constitutional Rights Foundation  
Statement of Financial Position  
December 31, 2019

### ASSETS

**Current assets**
- Cash and cash equivalents: $355,800
- Investments available for operations: 1,739,440
- Accounts receivable, net: 58,762
- Contributions and grants receivable, net: 29,695
- Prepaid and other current assets: 92,977

**Total current assets**  
2,276,674

**Other assets**
- Board-designated investments: 2,667,811
- Beneficial interest in charitable remainder trust: 82,102
- Cash surrender value of life insurance: 644,853
- Property and equipment, net: 735,251

**Total other assets**  
4,130,017

**Total assets**  
$6,406,691

### LIABILITIES AND NET ASSETS

**Current liabilities**
- Accounts payable and accrued expenses: $168,239
- Deferred program fees: 34,733

**Total current liabilities**  
202,972

**Accrued post-retirement benefits**  
506,621

**Total liabilities**  
709,593

**Commitments and contingencies (Notes 10, 11 and 13)**

**Net assets**
- Without donor restrictions
  - General: 1,853,930
  - Board-designated: 2,667,811
  - Invested in property and equipment: 735,251

  **Total without donor restrictions**  
  5,256,992

- With donor restrictions: 440,106

  **Total net assets**  
  5,697,098

**Total liabilities and net assets**  
$6,406,691

The accompanying notes are an integral part of these financial statements.
Constitutional Rights Foundation
Statement of Activities
For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, gains and other support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual dinner, net of costs of direct benefit of</td>
<td>$ 556,830</td>
<td>$ 140,500</td>
</tr>
<tr>
<td>$61,625</td>
<td>618,879</td>
<td>618,879</td>
</tr>
<tr>
<td>Contributed materials, services and use of facilities</td>
<td>409,037</td>
<td>-</td>
</tr>
<tr>
<td>Program fees</td>
<td>122,387</td>
<td>114,232</td>
</tr>
<tr>
<td>Contributions and private grants</td>
<td>90,343</td>
<td>-</td>
</tr>
<tr>
<td>Government grants and contract revenue</td>
<td>11,580</td>
<td>-</td>
</tr>
<tr>
<td>Sales of publications</td>
<td>14,380</td>
<td>14,380</td>
</tr>
<tr>
<td>Other income</td>
<td>43,908</td>
<td>-</td>
</tr>
<tr>
<td>Investment income appropriated for operations</td>
<td>393,609</td>
<td>(393,609)</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues, gains and other support</td>
<td>2,260,953</td>
<td>(138,877)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Functional expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>2,143,127</td>
</tr>
<tr>
<td>Support services</td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>407,648</td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
</tr>
<tr>
<td>Annual Dinner</td>
<td>61,377</td>
</tr>
<tr>
<td>Development</td>
<td>105,226</td>
</tr>
<tr>
<td>Total fundraising</td>
<td>166,603</td>
</tr>
<tr>
<td>Total functional expenses</td>
<td>2,717,378</td>
</tr>
</tbody>
</table>

| Change in net assets from operations | (456,425) | (138,877) | (595,302) |

<table>
<thead>
<tr>
<th>Non-operating</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest</td>
<td>129,508</td>
</tr>
<tr>
<td>Realized gains on sales of investments</td>
<td>132,681</td>
</tr>
<tr>
<td>Unrealized gains on investments</td>
<td>546,851</td>
</tr>
<tr>
<td>Unrealized gains on beneficial interest in charitable remainder trust</td>
<td>-</td>
</tr>
<tr>
<td>Investment income appropriated for operations</td>
<td>(43,908)</td>
</tr>
<tr>
<td>Total non-operating</td>
<td>765,132</td>
</tr>
</tbody>
</table>

| Change in net assets | 308,707 | (125,382) | 183,325 |

| Net assets, beginning of year | 4,948,285 | 565,488 | 5,513,773 |
| (as restated, see Note 14) | |

| Net assets, end of year | $ 5,256,992 | $ 440,106 | $ 5,697,098 |

The accompanying notes are an integral part of these financial statements.
### Constitutional Rights Foundation
### Statement of Functional Expenses
### For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>$ 921,779</td>
<td>$ 169,747</td>
<td>$ -</td>
<td>$ 58,559</td>
<td>$ 58,559</td>
<td>$ 1,150,085</td>
</tr>
<tr>
<td>Benefits and payroll taxes</td>
<td>226,049</td>
<td>44,134</td>
<td>-</td>
<td>14,185</td>
<td>14,185</td>
<td>284,368</td>
</tr>
<tr>
<td>Total personnel expenses</td>
<td>1,147,828</td>
<td>213,881</td>
<td>-</td>
<td>72,744</td>
<td>72,744</td>
<td>1,434,453</td>
</tr>
<tr>
<td><strong>Conferences, travel, staff development</strong></td>
<td>82,640</td>
<td>17,704</td>
<td>41,173</td>
<td>542</td>
<td>41,715</td>
<td>142,059</td>
</tr>
<tr>
<td><strong>Contract services</strong></td>
<td>24,058</td>
<td>92,764</td>
<td>2,925</td>
<td>11,501</td>
<td>14,426</td>
<td>131,248</td>
</tr>
<tr>
<td><strong>Data processing</strong></td>
<td>10,020</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,020</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>23,197</td>
<td>4,412</td>
<td>-</td>
<td>2,159</td>
<td>2,159</td>
<td>29,768</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>43,302</td>
<td>15,449</td>
<td>-</td>
<td>8,096</td>
<td>8,096</td>
<td>66,847</td>
</tr>
<tr>
<td><strong>Office administration</strong></td>
<td>64,780</td>
<td>16,083</td>
<td>760</td>
<td>7,460</td>
<td>8,220</td>
<td>89,083</td>
</tr>
<tr>
<td><strong>Printing and materials</strong></td>
<td>52,010</td>
<td>51</td>
<td>12,444</td>
<td>1,951</td>
<td>14,395</td>
<td>66,456</td>
</tr>
<tr>
<td><strong>Processing fees</strong></td>
<td>2,200</td>
<td>18,364</td>
<td>2,783</td>
<td>773</td>
<td>3,556</td>
<td>24,120</td>
</tr>
<tr>
<td><strong>Professional services</strong></td>
<td>44,802</td>
<td>28,940</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>73,742</td>
</tr>
<tr>
<td><strong>Professional services - contributed</strong></td>
<td>590,879</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>590,879</td>
</tr>
<tr>
<td><strong>Stipends and release time</strong></td>
<td>29,411</td>
<td>-</td>
<td>1,292</td>
<td>-</td>
<td>1,292</td>
<td>30,703</td>
</tr>
<tr>
<td><strong>Direct benefit costs</strong></td>
<td>-</td>
<td>-</td>
<td>61,625</td>
<td>-</td>
<td>61,625</td>
<td>61,625</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,143,127</td>
<td>407,648</td>
<td>123,002</td>
<td>105,226</td>
<td>228,228</td>
<td>2,779,003</td>
</tr>
</tbody>
</table>

Less: expenses included with revenues on the statement of activities

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct benefit costs</td>
<td>-</td>
<td>-</td>
<td>(61,625)</td>
<td>-</td>
<td>(61,625)</td>
<td>(61,625)</td>
</tr>
</tbody>
</table>

$ 2,143,127 $ 407,648 $ 61,377 $ 105,226 $ 166,603 $ 2,717,378

The accompanying notes are an integral part of these financial statements.
# Statement of Cash Flows

For the Year Ended December 31, 2019

## Cash flows from operating activities

<table>
<thead>
<tr>
<th>Change in net assets</th>
<th>$ 183,325</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments to reconcile change in net assets to net cash used in operating activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>29,768</td>
</tr>
<tr>
<td>Realized gains on sales of investments</td>
<td>(132,681)</td>
</tr>
<tr>
<td>Unrealized gains on investments</td>
<td>(546,851)</td>
</tr>
<tr>
<td>Unrealized gains on beneficial interest in charitable remainder trust</td>
<td>(13,495)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Decrease in accounts receivable, net</td>
<td>168,427</td>
</tr>
<tr>
<td>Decrease in contributions and grants receivable, net</td>
<td>134,004</td>
</tr>
<tr>
<td>Increase in prepaid expenses</td>
<td>(61,362)</td>
</tr>
<tr>
<td>Increase in cash surrender value of life insurance</td>
<td>(47,280)</td>
</tr>
<tr>
<td>Increase in accounts payable and accrued expenses</td>
<td>36,492</td>
</tr>
<tr>
<td>Decrease in deferred program fees</td>
<td>(168,581)</td>
</tr>
<tr>
<td>Increase in accrued post-retirement benefits</td>
<td>39,355</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(378,879)</td>
</tr>
</tbody>
</table>

## Cash flows from investing activities

| Proceeds from sales of investments | 403,010 |
| Purchases of investments | (99,872) |
| **Net cash provided by investing activities** | 303,138 |

## Net decrease in cash and cash equivalents

| (75,741) |

## Cash and cash equivalents

| Cash and cash equivalents, beginning of year | 431,541 |
| Cash and cash equivalents, end of year | $ 355,800 |

The accompanying notes are an integral part of these financial statements.
Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2019

1. NATURE OF OPERATIONS

Constitutional Rights Foundation (the "Foundation") is a California nonprofit, nonpartisan organization with the mission to educate K-12 youth about our constitutional heritage, legal traditions and the rights and responsibilities of informed, skilled and engaged citizenship. The Foundation impacts several million students annually and 32,000 teachers nationally through teacher professional development, a range of high-quality educational programs, print materials, and online resources. Its websites containing hundreds of free educational resources have over 3.2 million users per year.

Programmatic areas include law and government, history and civic participation. Key programs include Civic Action Project, a web-based practicum in government policy with over 5,000 teachers representing 50 states registered on the website; California Mock Trial, a statewide academic competition involving some 8,000 students and 3,000 legal volunteers; and Expanding Horizons, an evaluation-validated internship program placing underserved, first generation college bound youth in local law firms, businesses, government offices, and non-profit organizations to experience a professional work environment, develop civic engagement and leadership skills, and plan for their academic futures. The Foundation receives support by state and foundation grants, contributions from private business organizations and individuals, fees for service, and publication revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

The Foundation has implemented Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Foundation has implemented ASU 2014-09 with a date of initial application of January 1, 2019, using the full-retrospective method resulting in an adjustment to the balance of net assets at December 31, 2018, see Note 14.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The Foundation has also implemented Financial Accounting Standards Board ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made. That standard clarifies guidance about whether funds received from contracts and grants are contributions or exchange transactions. The standard further provides that when both a barrier to be overcome and a right of return exist, a donor-imposed condition exists and contribution revenue should not be recognized until the condition has been met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement is a barrier. The Foundation has implemented the standard on a modified prospective basis, meaning that it has been applied to all arrangements that were not completed as of January 1, 2019, or were entered into after that date. The implementation of ASU 2018-08 had no impact on the financial statements for the year ended December 31, 2019.

Basis of accounting and financial statement presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") in the United States of America.

The Foundation reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net assets without donor restrictions, general** - Includes grants and contracts, program fees, contributions, sales and other forms of revenue without donor restrictions, and expenditures related to the general operations and fundraising efforts of the Foundation.

- **Net assets without donor restrictions, board-designated** - Includes net assets designated by the Foundation's Board of Directors as quasi-endowments, with earnings to be used for programs, to meet the specification of a challenge grant, or as reserves.

- **Net assets without donor restrictions, invested in property and equipment** - Includes net assets the Foundation currently has invested in property and equipment, net of accumulated depreciation.

- **Net assets with donor restrictions** - (See Notes 8 and 9): Includes net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Foundation is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

The Foundation's federal income tax and informational returns for tax years ended December 31, 2016, and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Foundation's only state tax jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ended December 31, 2015, and subsequent.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

The Foundation considers all highly-liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the first-in, first-out method.

Concentrations of risk

Occasionally the Foundation's bank and investment balances exceed FDIC- and SIPC-insured limits. The Foundation has not experienced and does not anticipate any losses related to these accounts.

The Foundation's accounts and contributions and grants receivable are unsecured and the Foundation is at-risk to the extent that such amounts become uncollectible. The Foundation estimates its allowances for doubtful accounts and potentially uncollectible contributions and grants based on known facts and historical trends.

Accounts receivable

Accounts receivable consist of amounts earned and not yet collected from the Foundation's contracts, program fees, and sales.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivable

Unconditional promises to give cash and other assets to the Foundation are reported at the fair value of the promise at the date the promise is received. Conditional promises to give and indications of intentions to give are not reported until the conditions are met.

Beneficial interest in charitable remainder trust

The Foundation is a named beneficiary of a charitable remainder trust. Management receives an annual beneficiary report which reports the valuation of the Foundation's interest based on the value of the portfolio, trustor's age, the payout rate and a discount rate of 2%. The annual fluctuation is reported as an unrealized gain or loss on the accompanying statement of activities.

Cash surrender value of life insurance

Cash surrender value of life insurance is reported at the cash surrender value of the contract as determined by the life insurance company.

Property and equipment

Property and equipment are reported at cost. Donated items are carried at estimated fair value when received. Depreciation and amortization of both purchased and donated items are computed using the straight-line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and improvements</td>
<td>20 years</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Normal repairs and maintenance are expensed as incurred, whereas significant charges which materially increase values or extend useful lives are capitalized and depreciated or amortized over the estimated useful lives of the related assets.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Foundation during the year.

Endowments

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are reported either as with or without donor restrictions depending on the existence of donor-imposed restrictions that limit the use of the support to a particular purpose. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Contributed materials, services and use of facilities

Materials and use of facilities contributed to the Foundation are recognized and recorded at fair value as of the contribution date. Contributed services are recognized and recorded at fair value when all criteria for recording such services are met.

Contributed materials, services and use of facilities during the year were recognized as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional services in connection with Mock Trials</td>
<td>$520,266</td>
</tr>
<tr>
<td>Conferences (contributed occupancy)</td>
<td>$28,000</td>
</tr>
<tr>
<td>Professional services in connection with various programs</td>
<td>$70,613</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$618,879</strong></td>
</tr>
</tbody>
</table>

Functional expenses

The Foundation allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated accordingly.

Subsequent events

The Foundation has evaluated events subsequent to December 31, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 17, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 13.

Reclassifications

Certain 2018 balances have been reclassified in order to conform to the 2019 presentation.
3. INVESTMENTS

The Foundation reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. equities</td>
<td>$1,609,235</td>
<td>$-</td>
<td>$-</td>
<td>$1,609,235</td>
</tr>
<tr>
<td>International equities</td>
<td>1,555,530</td>
<td>$-</td>
<td>$-</td>
<td>1,555,530</td>
</tr>
<tr>
<td>U.S. bond funds</td>
<td>871,933</td>
<td>$-</td>
<td>$-</td>
<td>871,933</td>
</tr>
<tr>
<td>International bond funds</td>
<td>370,553</td>
<td>$-</td>
<td>$-</td>
<td>370,553</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,407,251</strong></td>
<td><strong>$-</strong></td>
<td><strong>$-</strong></td>
<td><strong>$4,407,251</strong></td>
</tr>
</tbody>
</table>

Investments are presented in the statement of financial position as follows:

- Investments available for operations: $1,739,440
- Board-designated investments: $2,667,811

Total: $4,407,251

Activity in the investments during the year was as follows:

- Balance, beginning of year: $4,030,857
- Purchase of investments, net of investment fees of $14,960: 99,872
- Proceeds from sales of investments: (403,010)
- Realized gains on sales of investments: 132,681
- Unrealized gains on investments: 546,851
- Balance, end of year: $4,407,251

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

- Accounts receivable: $65,473
- Allowance for doubtful accounts: (6,711)

Total: $58,762
5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

- Due in less than one year $39,896
- Allowance for potentially uncollectible contributions and grants (10,201)

$29,695

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

- Land $617,157
- Buildings and improvements 611,743
- Furniture and equipment 438,902

1,667,802

- Accumulated depreciation and amortization (932,551)

$735,251

7. NET ASSETS WITHOUT DONOR RESTRICTIONS, BOARD-DESIGNATED

The Foundation's Board of Directors has designated portions of its net assets without donor restrictions as quasi-endowments (see Note 9) with earnings to be used specifically for certain programs, to meet the specifications of a challenge grant, or for emergency purposes.

Board-designated net assets consisted of the following:

- General Reserve $1,000,000
- Creative Kids Internship Program Endowment Fund 529,839
- Keck Challenge Grant Fund (see Note 8) 200,000
- Robert and Phyllis Henigson Fund 371,801
- Alan I. Rothenberg Endowment Fund 254,247
- James A. Cobey Endowment Fund 114,253
- Jack Stutman Endowment Fund 102,160
- Jerome C. Byrne Fund 87,585
- Capital Facility Improvement Reserve 7,926

$2,667,811
8. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods:

<table>
<thead>
<tr>
<th>Subject to expenditure for specified purpose</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Service learning</td>
<td>$ 13,202</td>
</tr>
<tr>
<td>Expanding horizons internship</td>
<td>92,408</td>
</tr>
<tr>
<td>Law-related education</td>
<td>11,894</td>
</tr>
<tr>
<td></td>
<td>117,504</td>
</tr>
</tbody>
</table>

| Time restricted only                       | 140,500 |

<table>
<thead>
<tr>
<th>Donor-restricted endowment funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash reserve fund</td>
<td>100,000</td>
</tr>
<tr>
<td>Charitable remainder trust</td>
<td>82,102</td>
</tr>
<tr>
<td></td>
<td>182,102</td>
</tr>
</tbody>
</table>

$ 440,106

The $140,500 balance of net assets with donor restrictions which has been classified as 'time restricted only' consists of contributions received during 2019 which have no donor purpose restrictions but have been time restricted by the donor to not be available for use until 2020. At December 31, 2019, $12,000 of the $140,500 was included within contributions and grants receivable, net in the accompanying statement of financial position.

Of the $117,504 of net assets subject to expenditure for specified purpose, $17,695 is also time restricted and included within contributions and grants receivable, net in the accompanying statement of financial position.

Donor-restricted endowment funds include a $100,000 grant to establish a cash reserve fund subject to certain restrictions. One of these restrictions is a stipulation the Foundation obtain matching funds on a 2-to-1 basis. A second restriction is the principal balance of the grant be used only to alleviate cash flow difficulties and, if used, that it must be replenished from other private contributions by the end of each calendar year. The matching $200,000 has been included in net assets without donor restrictions, board-designated (see Note 7). The donor-restricted endowment funds are included in cash and cash equivalents and the matching amount is included in board-designated investments on the accompanying statement of financial position.

9. **ENDOWMENT AND RESERVE FUNDS**

The Foundation's endowment consists of eight individual funds designated by the Board of Directors to function as quasi-endowments for the purposes disclosed in Note 7. The donor-restricted endowment funds referenced in Note 8 were donor-directed to be deposited and serve as a floor for the Foundation's checking account, and do not meet the reporting standards of an endowment.
9. ENDOWMENT AND RESERVE FUNDS (continued)

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the executive committee of the Board of Directors, the endowment assets are invested in a manner intended to assume a moderate level of investment risk and to provide an annual rate of return of approximately 5% plus inflation. Actual returns in any given year may vary from this amount.

Spending policy and how investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year 3 percent of its quasi-endowment fund's average fair value over the prior 12 quarters through the third quarter preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its quasi-endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its quasi-endowment to grow at an annual rate equal to or greater than inflation. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies of this nature as of December 31, 2019.
9. ENDOWMENT AND RESERVE FUNDS (continued)

Funds (continued)

For the year ended December 31, 2019, the Foundation's quasi-endowment net assets changed as follows:

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$2,423,825</td>
<td>-</td>
</tr>
<tr>
<td>Investment return</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized and unrealized gain/(loss)</td>
<td>250,872</td>
<td>-</td>
</tr>
<tr>
<td>Dividends and interest</td>
<td>42,516</td>
<td>-</td>
</tr>
<tr>
<td>Fees</td>
<td>(5,494)</td>
<td>-</td>
</tr>
<tr>
<td>Total investment return</td>
<td>287,894</td>
<td>-</td>
</tr>
<tr>
<td>Appropriation for expenditure</td>
<td>(43,908)</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$2,667,811</td>
<td>-</td>
</tr>
</tbody>
</table>

For the year ended December 31, 2019, the Foundation's quasi-endowment net asset composition by type of fund was as follows:

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board designated quasi-endowment funds</td>
<td>$1,659,885</td>
<td>-</td>
</tr>
<tr>
<td>Board designated reserve funds</td>
<td>$1,007,926</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$2,667,811</td>
<td>-</td>
</tr>
</tbody>
</table>

10. PENSIONS

The Foundation has a defined-contribution IRC Section 403(b) pension plan, covering substantially all employees of the Foundation who meet the minimum service requirement of one year. Employees are permitted to contribute the maximum amount allowed by the IRC. Employee contributions are fully vested immediately upon contribution to the plan. The plan requires annual contributions by the Foundation ranging from 3% to 4% of eligible employees' compensation, with the employer portion vesting after three years. The Foundation made contributions totaling $28,989 during the year ended December 31, 2019.
10. PENSIONS (continued)

The Foundation established a non-qualified, non-ERISA, and discriminatory IRC Section 457(b) plan covering certain employees holding executive positions with the Foundation. Under the terms of the plan, executives selected to participate by the Board of Directors will receive benefits upon retirement. The Foundation intends to fund the benefits using the cash surrender value of life insurance policies on certain current and past employees in which the Foundation is the beneficiary. There were no payments from the plan during the year. Pension expense incurred for this plan totaled $39,356 during the year. The amount included in the accrued post-retirement benefits on the accompanying statement of financial position totaled $506,621 at December 31, 2019.

11. COMMITMENTS

The Foundation leases certain office equipment under non-cancelable operating leases through December 2021. Rent expense related to the leases totaled $5,616 for the year.

The scheduled minimum lease payments under the lease terms are as follows:

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 4,200</td>
</tr>
<tr>
<td>2021</td>
<td>4,200</td>
</tr>
<tr>
<td></td>
<td><strong>$ 8,400</strong></td>
</tr>
</tbody>
</table>

12. LIQUIDITY AND AVAILABILITY

The Foundation is significantly supported by contributions with donor restrictions. The Foundation maintains sufficient resources to meet its responsibilities to its donors. The Foundation's liquidity management policy is designed to provide that its remaining financial assets are available for operations as its general expenditures, liabilities, and other obligations come due.

The following reflects the Foundation's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with donor-restrictions (see Note 8) as of December 31, 2019.
Liquidity of financial assets as of December 31, 2019 is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$355,800</td>
</tr>
<tr>
<td>Investments available for operations</td>
<td>1,739,440</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>58,762</td>
</tr>
<tr>
<td>Contributions and grants receivable, net</td>
<td>29,695</td>
</tr>
<tr>
<td>Net assets subject to expenditure for specified purpose (see Note 8)</td>
<td>(117,504)</td>
</tr>
<tr>
<td>Cash reserve fund (see Note 8)</td>
<td>(100,000)</td>
</tr>
<tr>
<td></td>
<td>$1,966,193</td>
</tr>
</tbody>
</table>

13. SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Foundation is headquartered, have declared a state of emergency. Potential impacts to the Foundation include disruptions or restrictions on the Foundation's ability to operate its programs and restrictions on its employees' ability to work. Specifically, the COVID-19 pandemic and the following safer at home governmental directives have required the Foundation to move programs where possible to an online content including online trainings and webinars. Unfortunately, some of the Foundation's programs that could not be adapted included the State Mock Trial Championship scheduled for March of 2020, the Annual Dinner and the Summer Expanding Horizon Intern program. The Foundation currently plans for all these programs to resume in 2021. The Foundation is continuously monitoring and assessing the effects of the COVID-19 pandemic. However, at this time the ultimate impact the COVID-19 outbreak will have on the Foundation is highly uncertain.

In January 2020, a plumbing issue caused a flood in the Foundation's headquarters. The damage required the Foundation to temporarily move to a new location while repairs were being made. Insurance will cover all the repairs after a $500 deductible. The Foundation's Board has decided to use the time that the Foundation is relocated to make further improvements to the building to both improve the office environment and redo some building infrastructure to reduce the potential of future negative events.

14. EFFECTS OF IMPLEMENTATION OF ASU 2014-09

As described in Note 2, the Foundation implemented ASU 2014-09 effective January 1, 2019, using the full-retrospective approach. As a result, certain previously reported amounts at December 31, 2018 have been restated.
14. EFFECTS OF IMPLEMENTATION OF ASU 2014-09 (continued)

The following table shows the effects of the implementation of ASU 2014-09 as of December 31, 2018:

<table>
<thead>
<tr>
<th></th>
<th>Deferred Program Fees</th>
<th>Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>As previously reported, December 31, 2018</td>
<td>$265,823</td>
<td>$5,451,264</td>
</tr>
<tr>
<td>Impact of implementation of ASU 2014-09</td>
<td>(62,509)</td>
<td>62,509</td>
</tr>
<tr>
<td>As restated, December 31, 2018</td>
<td>$203,314</td>
<td>$5,513,773</td>
</tr>
</tbody>
</table>
OTHER AUDIT REPORT
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Constitutional Rights Foundation
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Constitutional Rights Foundation (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP
Los Angeles, California

June 17, 2020