Constitutional Rights Foundation

Financial Statements
and Other Audit Report

December 31, 2018

armanino

TABLE OF CONTENTS

armanino

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, 2018, 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, 2018, 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 adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2019, 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

Armanino[LLP]
Los Angeles, California

May 8, 2019

Constitutional Rights Foundation
Statement of Financial Position
December 31, 2018

ASSETS

Current assets		
Cash and cash equivalents	$	431,541
Investments		1,607,032
Accounts receivable, net		91,080
Contributions and grants receivable, net		300,699
Prepaid expenses		30,724
Total current assets		2,461,076
Other assets		
Board-designated investments		2,423,825
Beneficial interest in charitable remainder trust		68,607
Cash surrender value of life insurance		597,573
Property and equipment, net		765,019
Total other assets		3,855,024
Total assets	$	6,316,100

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	$	131,748
Deferred program fees		265,823
Total current liabilities		397,571
Accrued post-retirement benefits		467,265
Total liabilities		864,836
Commitments (Notes 11 and 12)		
Net assets		
Without donor restrictions		
General		1,696,932
Board-designated		2,423,825
Invested in property and equipment		765,019
Total without donor restrictions		4,885,776
With donor restrictions		565,488
Total net assets		5,451,264
Total liabilities and net assets	$	6,316,100

The accompanying notes are an integral part of these financial statements.

Constitutional Rights Foundation
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Spring dinner, net of costs of direct benefit of $65,500	$ 692,883	$ 127,500	$ 820,383
Contributed materials, services and use of facilities	611,261	-	611,261
Program fees	392,342	-	392,342
Contributions and private grants	113,110	317,300	430,410
Sales of publications	44,753	-	44,753
Government grants and contract revenue	134,101	-	134,101
Other income	9,427	-	9,427
Net assets released from restriction	639,955	(639,955)	-
Total revenues, gains and other support	2,637,832	(195,155)	2,442,677
Functional expenses			
Program services	2,247,251	-	2,247,251
Support services			
Management and general	380,549	-	380,549
Fundraising			
Spring Dinner	61,043	-	61,043
Development	108,431	-	108,431
Total fundraising	169,474	-	169,474
Total functional expenses	2,797,274	-	2,797,274
Change in net assets from operations	(159,442)	(195,155)	(354,597)
Non-operating			
Dividends and interest	113,615	-	113,615
Realized losses on sales of investments	(197)	-	(197)
Unrealized losses on investments	(394,897)	-	(394,897)
Unrealized losses on beneficial interest in charitable remainder trust	-	(9,614)	(9,614)
Total non-operating	(281,479)	(9,614)	(291,093)
Change in net assets	(440,921)	(204,769)	(645,690)
Net assets, beginning of year	5,326,697	770,257	6,096,954
Net assets, end of year	$ 4,885,776	$ 565,488	$ 5,451,264

The accompanying notes are an integral part of these financial statements.

Constitutional Rights Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2018

		Support Services				
			Fundraising			
	Program Services	Management and General	Spring Dinner	Development	Total Fundraising	Total
Personnel expenses						
Compensation	$ 932,049	$ 158,844	$ -	$ 61,084	$ 61,084	$ 1,151,977
Benefits and payroll taxes	238,522	45,001	-	18,195	18,195	301,718
Total personnel expenses	1,170,571	203,845	-	79,279	79,279	1,453,695
Bad debt expense	10,309	-	-	-	-	10,309
Conferences, travel, staff development	91,971	23,193	38,148	109	38,257	153,421
Contract services	23,560	70,881	2,965	11,500	14,465	108,906
Contributed facilities and services	611,261	-	-	-	-	611,261
Data processing	10,872	-	-	-	-	10,872
Depreciation and amortization	11,930	2,021	-	1,595	1,595	15,546
Occupancy	36,208	19,859	-	5,865	5,865	61,932
Office administration	59,779	15,482	1,694	7,052	8,746	84,007
Printing and materials	50,647	830	12,074	3,025	15,099	66,576
Processing fees	8,547	15,219	5,461	6	5,467	29,233
Professional services	35,511	29,219	-	-	-	64,730
Stipends and release time	118,085	-	701	-	701	118,786
Subgrants	8,000	-	-	-	-	8,000
	$ 2,247,251	$ 380,549	$ 61,043	$ 108,431	$ 169,474	$ 2,797,274

The accompanying notes are an integral part of these financial statements.

Constitutional Rights Foundation
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	$ (645,690)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	15,546
Realized losses on sales of investments	197
Unrealized losses on investments	394,897
Unrealized losses on beneficial interest in charitable remainder trust	9,614
Changes in operating assets and liabilities	
Increase in accounts receivable, net	(32,007)
Increase in contributions and grants receivable, net	(202,728)
Decrease in prepaid expenses	3,786
Increase in cash surrender value of life insurance	(41,439)
Increase in accounts payable and accrued expenses	6,837
Increase in deferred program fees	166,183
Increase in accrued post-retirement benefits	26,326
Net cash used in operating activities	(298,478)
Cash flows from investing activities	
Proceeds from sales of investments	214,577
Purchases of investments	(306,237)
Purchases of property and equipment	(94,814)
Net cash used in investing activities	(186,474)
Net decrease in cash and cash equivalents	(484,952)
Cash and cash equivalents, beginning of year	916,493
Cash and cash equivalents, end of year	$ 431,541

1. NATURE OF OPERATIONS

Constitutional Rights Foundation (the "Foundation") is a California nonprofit, nonpartisan organization with the mission to educate youth about our constitutional heritage and 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 now being used by some 2,300 teachers in 50 states; 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 scores of first generation college and underserved students 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 federal, state, and foundation grants, contributions from private business organizations, fees for service and publication revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

The Foundation has adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit-Entities. The standard requires (1) that net assets be classified and presented in two categories: net assets without donor restrictions and net assets with donor restrictions and (2) additional disclosures concerning the liquidity of the Foundation, among other requirements.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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 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 9 and 10): 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.

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, 2015, 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, 2014, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2.6%. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Buildings and improvements	20 years
Furniture and equipment	5 years

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.

Contributions

Contributions are reported either as unrestricted or restricted depending on the existence of donor-imposed restrictions that limit the use of the support to a particular purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed materials, services and use of facilities (continued)

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

Professional services in connection with Mock Trials	$ 516,768
Conferences and meetings (contributed occupancy)	28,000
Professional services in connection with various programs	66,493
	$ 611,261

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 Organization has evaluated events subsequent to December 31, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 8, 2019, 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.

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, 2018:

	Level 1	Level 2	Level 3	Fair Value
U.S. equities	$ 1,456,906	$ -	$ -	$ 1,456,906
International equities	1,306,061	-	-	1,306,061
U.S. bonds	875,317	-	-	875,317
International bonds	392,573	-	-	392,573
	$ 4,030,857	$ -	$ -	$ 4,030,857

3. INVESTMENTS (continued)

Investments are segregated as follows:

Investments	$ 1,607,032
Board-designated investments	2,423,825
	$ 4,030,857

Activity in the investments during the year was as follows:

Balance, beginning of year	$ 4,334,291
Purchase of investments	306,237
Proceeds from sales of investments	(214,577)
Realized losses on sales of investments	(197)
Unrealized losses on investments	(394,897)
Balance, end of year	$ 4,030,857

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

Accounts receivable	$ 97,791
Allowance for doubtful accounts	(6,711)
	$ 91,080

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

Due in less than one year	$ 316,525
Allowance for potentially uncollectible contributions and grants	(15,826)
	$ 300,699

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	(902,783)
	$ 765,019

7. EFFECTS OF IMPLEMENTATION OF ASU 2016-14

As described in Note 2, during the year the Foundation adopted ASU Update 2016-14, resulting in a re-characterization of the classifications of its net assets. As a result, net asset classes previously referred to as permanently and temporarily restricted net assets are now combined into a new classification -- net assets with donor restrictions.

The following table shows the effects of the accounting changes in adopting ASU 2016-14 and reclassification of the Foundation's net assets as of December 31, 2017:

	Unrestricted - Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	With Donor Restrictions	Total
Net assets as previously reported, December 31, 2017	$ 5,326,697	$ 670,257	$ 100,000	$ -	$ 6,096,954
Reclassification resulting from ASU 2016-14	-	(670,257)	(100,000)	770,257	-
	$ 5,326,697	$ -	$ -	$ 770,257	$ 6,096,954

8. NET ASSETS WITHOUT DONOR RESTRICTIONS, BOARD-DESIGNATED

The Foundation's Board of Directors has designated portions of its unrestricted net assets as quasi-endowments (see Note 10) with earnings to be used specifically for certain programs, to meet the specifications of a challenge grant, or for emergency purposes.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS, BOARD-DESIGNATED (continued)

Board-designated net assets consisted of the following:

General Reserve	$ 1,000,000
Creative Kids Internship Program Endowment Fund	422,564
Keck Challenge Grant Fund (see Note 9)	200,000
Robert and Phyllis Henigson Fund	317,152
Alan I. Rothenberg Endowment Fund	216,876
James A. Cobey Endowment Fund	97,460
Jack Stutman Endowment Fund	87,152
Jerome C. Byrne Fund	74,695
Capital Facility Improvement Reserve	7,926
	$ 2,423,825

9. NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose	
Service learning	$ 104,638
Expanding horizons internship	127,646
Law-related education	37,097
	269,381
Time restricted only	127,500
Donor -restricted endowment funds	
Cash reserve fund	100,000
Charitable remainder trust	68,607
	168,607
	$ 565,488

The $127,500 balance of net assets with donor restrictions which has been classified as 'time restricted only' consists of contributions received during 2018 which have no donor purpose restrictions but have been time restricted by the donor to not be available for use until 2019. Of the $269,381 of net assets subject to expenditure for specified purpose, $173,199 is also time restricted and included within contributions and grants receivable, net in the accompanying statement of financial position.

9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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 8). 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.

10. 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 8. The donor-restricted endowment funds referenced in Note 9 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.

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, 2018.

10. ENDOWMENT AND RESERVE FUNDS (continued)

Funds (continued)

For the year ended December 31, 2018, the Foundation's quasi-endowment net assets changed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	$ 2,575,441	$ -	$ 2,575,441
Investment return			
Net realized and unrealized losses	(142,873)	-	(142,873)
Dividends and interest	38,645	-	38,645
Fees	(5,495)	-	(5,495)
Total investment return	(109,723)	-	(109,723)
Appropriation for expenditure	(41,893)	-	(41,893)
	(151,616)	-	(151,616)
Balance, end of year	$ 2,423,825	$ -	$ 2,423,825

For the year ended December 31, 2018, the Foundation's quasi-endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated quasi-endowment funds	$ 1,415,899	$ -	$ 1,415,899
Board designated reserve funds	1,007,926	-	1,007,926
	$ 2,423,825	$ -	$ 2,423,825

11. 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. The Foundation made contributions totaling $30,037 during the year ended December 31, 2018.

11. 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 $37,882 during the year. The amount included in the accrued post-retirement benefits on the accompanying statement of financial position totaled $467,265 at December 31, 2018.

The Foundation established an unfunded nonqualified IRC Section 457(f) retirement plan covering a former key employee. The plan stipulates the Foundation pay a benefit to this employee for no longer than through April 2018. Payments from the plan, including interest totaling $111, totaled $11,666 during the year. The final benefit payment was paid in April 2018.

12. COMMITMENTS

The Foundation leases certain office equipment under non-cancelable operating leases through December 2021. Rent expense related to the leases totaled $8,744 for the year.

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

Year ending December 31,	
2019	$ 4,950
2020	4,200
2021	4,200
	$ 13,350

13. 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 9) as of December 31, 2018.

13. LIQUIDITY AND AVAILABILITY (continued)

Liquidity of financial assets as of December 31, 2018 is as follows:

Cash and cash equivalents	$ 431,541
Investments	1,607,032
Accounts receivable, net	91,080
Contributions and grants receivable, net	300,699
	2,430,352
Net assets subject to expenditure for specified purpose (see Note 9)	(269,381)
Cash reserve fund (see Note 9)	(100,000)
	$ 2,060,971

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, 2018, 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 May 8, 2019.

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

Armanino[LLP]
Los Angeles, California

May 8, 2019