

CONSTITUTIONAL RIGHTS FOUNDATION OF
ORANGE COUNTY

Financial Statements

Year ended June 30, 2018
(With Independent Auditors' Report Thereon)

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Financial Statements

Year ended June 30, 2018

TABLE OF CONTENTS

| | <u>Page</u> |
|---------------------------------|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 |

Board of Directors
Constitutional Rights Foundation of Orange County
Newport Beach, California

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Constitutional Rights Foundation of Orange County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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.

Auditors' 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. 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 auditors' 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 of Orange County as of June 30, 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.

September 21, 2018
Irvine, California

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Statement of Financial Position

June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------|
| <u>Assets</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents (note 2) | \$ 412,255 | - | - | 412,255 |
| Contracts receivable | 22,500 | - | - | 22,500 |
| Prepaid expenses | 6,866 | - | - | 6,866 |
| Deposits | 2,860 | - | - | 2,860 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current assets | 444,481 | - | - | 444,481 |
| Fixed assets, net (note 3) | 7,747 | - | - | 7,747 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 452,228</u> | <u>-</u> | <u>-</u> | <u>452,228</u> |
| <u>Liabilities and Net Assets</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 4,643 | - | - | 4,643 |
| Accrued salaries and benefits | 10,694 | - | - | 10,694 |
| Deferred revenue | 57,929 | - | - | 57,929 |
| Deferred rent | 70 | - | - | 70 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current liabilities | 73,336 | - | - | 73,336 |
| <u>Net assets (note 7)</u> | | | | |
| Unrestricted | 378,892 | - | - | 378,892 |
| Temporarily restricted | - | - | - | - |
| Permanently restricted | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total net assets | 378,892 | - | - | 378,892 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities and net assets | <u>\$ 452,228</u> | <u>-</u> | <u>-</u> | <u>452,228</u> |

See accompanying notes to financial statements.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Statement of Activities

June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------|
| Support and revenue: | | | | |
| Foundation grants | \$ 79,500 | - | - | 79,500 |
| Contributions | 65,977 | - | - | 65,977 |
| Program fees | 60,325 | - | - | 60,325 |
| Interest | 193 | - | - | 193 |
| Net support and revenue | <u>205,995</u> | <u>-</u> | <u>-</u> | <u>205,995</u> |
| Special events: (note 5) | | | | |
| Special event revenue | 161,826 | - | - | 161,826 |
| Less direct expenses | <u>(28,071)</u> | <u>-</u> | <u>-</u> | <u>(28,071)</u> |
| Net support from special events | <u>133,755</u> | <u>-</u> | <u>-</u> | <u>133,755</u> |
| Total support and revenue | <u>339,750</u> | <u>-</u> | <u>-</u> | <u>339,750</u> |
| Expenses: | | | | |
| Program related | 47,788 | - | - | 47,788 |
| Salaries and benefits | 151,334 | - | - | 151,334 |
| Rent | 28,648 | - | - | 28,648 |
| Insurance | 4,296 | - | - | 4,296 |
| Utilities - telephone | 6,360 | - | - | 6,360 |
| Postage | 297 | - | - | 297 |
| Printing | 1,000 | - | - | 1,000 |
| Professional services | 14,493 | - | - | 14,493 |
| Website maintenance | 1,843 | - | - | 1,843 |
| Supplies | 1,729 | - | - | 1,729 |
| Depreciation | 7,315 | - | - | 7,315 |
| Other business expenses | 9,249 | - | - | 9,249 |
| Marketing expenses | 2,482 | - | - | 2,482 |
| Board expenses | <u>4,350</u> | <u>-</u> | <u>-</u> | <u>4,350</u> |
| Total expenses | <u>281,184</u> | <u>-</u> | <u>-</u> | <u>281,184</u> |
| Increase (decrease) in net assets | 58,566 | - | - | 58,566 |
| Net assets at beginning of year | <u>320,326</u> | <u>-</u> | <u>-</u> | <u>320,326</u> |
| Net assets at end of year | <u>\$ 378,892</u> | <u>-</u> | <u>-</u> | <u>378,892</u> |

See accompanying notes to financial statements.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Statement of Cash Flows

Year ended June 30, 2018

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Cash received from public support and contracts | \$ 145,477 |
| Cash received from special events, net | 133,755 |
| Cash received from interest | 193 |
| Cash paid to employees | (140,640) |
| Cash paid to vendors | <u>(87,833)</u> |
| Net cash provided (used) by operating activities | <u>50,952</u> |
| Cash flows from investing activities: | |
| Purchase of fixed assets | <u>(4,309)</u> |
| Net increase (decrease) in cash | 46,643 |
| Cash and cash equivalents at beginning of year | <u>365,612</u> |
| Cash and cash equivalents at end of year | <u>\$ 412,255</u> |
| Reconciliation of changes in net assets to net cash provided (used) by operating activities: | |
| Increase (decrease) in net assets | \$ 58,566 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 7,315 |
| (Increase) decrease in contracts receivable | 8,000 |
| (Increase) decrease in prepaid expenses | (2,666) |
| Increase (decrease) in accounts payable | (275) |
| Increase (decrease) in deferred revenue | (15,671) |
| Increase (decrease) in deferred rent | (5,737) |
| Increase (decrease) in accrued salaries and benefits | <u>1,420</u> |
| Net cash provided (used) by operating activities | <u>\$ 50,952</u> |

Noncash Investing and Financing Activities:

There were no significant noncash investing and financing activities for the fiscal year ended June 30, 2018.

See accompanying notes to financial statements.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

Year ended June 30, 2018

(1) Summary of Significant Accounting Policies

(a) Organization and Nature of Services

The Constitutional Rights Foundation of Orange County (the “Foundation”) is a nonprofit community-based organization which develops programs and materials to educate high school students located primarily in Orange County, California about the rights and responsibilities of effective citizenship and offers technical assistance and various other services in the subject areas of law and government, business and society, and civic participation. The Foundation is supported through the collection of school fees for participation in the Mock Trial Program, the collection of board of directors’ donations, contributions from private business organizations and individuals, and grants from private foundations.

(b) Basis of Accounting

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

(c) Financial Statement Presentation

The Foundation follows the financial statement presentation recommended by the Financial Accounting Standards Board (FASB) in its Auditing Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(d) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents consist of various demand deposits and money market mutual funds. For fiscal year ended June 30, 2018, all cash and investments of the Foundation are considered to be cash and cash equivalents.

(e) Property and Equipment

The Foundation’s property and equipment are recorded at cost, or in the case of donated items, at estimated fair market value at the date of the gift. Maintenance and repairs are expensed when incurred and betterments are capitalized. Property and equipment are depreciated using the straight-line method over the estimated useful lives of three to six years. The Foundation capitalizes all assets valued at \$500 or greater.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(f) Income Taxes

The Foundation is a tax-exempt organization (“other than a private foundation”) under section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

(g) Donated Facilities, Materials, and Services

Donated facilities, materials, and other non-cash contributions are reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received donated services from variety of unpaid volunteers assisting the Foundation in its program services and fundraising campaigns. No amounts for such donated services have been recognized in the accompanying financial statements since no objective basis is available to measure the value of such services. Contributed services requiring specific expertise are recognized in the accompanying financial statements.

The Foundation recognized donated printing services for the year ended June 30, 2018 totaling \$1,805.

(h) Restricted and Unrestricted Revenue and Support

The Foundation follows ASC 958-605, *Revenue Recognition*. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. There were no temporarily restricted or permanently restricted balances as of June 30, 2018.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amount of assets, liabilities, revenues, and expenses, as well as any contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of financial statements.

(2) Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2018 are composed of the following:

| | |
|-----------------|------------------|
| Demand deposits | <u>\$412,255</u> |
|-----------------|------------------|

At June 30, 2018, the Foundation had funds in excess of federally-insured limits in the amount of \$165,122.

(3) Fixed Assets

Fixed assets consist of the following at June 30, 2018:

| | |
|---|-----------------|
| Computers and software | \$ 15,170 |
| Furniture and equipment | 1,790 |
| Website | <u>8,938</u> |
| Subtotal | 25,898 |
| Less accumulated depreciation and amortization | <u>(18,151)</u> |
| Total | <u>\$ 7,747</u> |

(4) Related Party Transactions

The spouse of a Board member provides contract accounting services to the Foundation. Compensation paid to the contract accountant for the year ending June 30, 2018 amounted to \$3,830 with a balance of \$341 outstanding at year end.

The Foundation has a bank account with Wells Fargo at June 30, 2018. One of the Foundation's Board members is an employee of Wells Fargo. The Board member abstains from decisions made concerning matters that would be a conflict of interest.

The Foundation leases office space from a significant donor. See additional lease details at footnote 6.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(5) Special Events

The Foundation held one special event during the year ended June 30, 2018, the results of which are as follows:

| | <u>Annual Benefit</u> |
|--------------------------------|-----------------------|
| Special event revenue | \$ 161,826 |
| Less: direct expenses | <u>(28,071)</u> |
| Net support from special event | <u>\$ 133,755</u> |

(6) Lease Commitments

In June 2013, the Foundation entered into a five-year non-cancelable operating lease for office space located in Newport Beach, California from which it conducts its operations. On July 11, 2017, the Foundation entered into a first amendment to their lease agreement with Orange County Bar Association. The amendment extended the lease for office space through June 16, 2023 at escalating monthly rent ranging from \$3,000 to \$3,300. The financial statements include \$70 of deferred rent calculated on a straight-line basis over the life of the lease.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2018:

| <u>Year Ending June 30,</u> | <u>Rental Payment</u> |
|-----------------------------|-----------------------|
| 2019 | \$ 36,038 |
| 2020 | 36,938 |
| 2021 | 37,838 |
| 2022 | 38,738 |
| 2023 | <u>37,950</u> |
| Total | <u>\$ 187,502</u> |

Rent expense amounted to \$28,648 for the year ending June 30, 2018.

(7) Net Assets

Net assets consisted of the following as of at June 30, 2018:

| | |
|---------------------------------------|-------------------|
| Unrestricted net assets: | |
| Net investment in fixed assets | \$ 7,747 |
| Undesignated – available for programs | <u>371,145</u> |
| Total unrestricted net assets | <u>378,892</u> |
| Total net assets | <u>\$ 378,892</u> |

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(8) Subsequent Events

Management has evaluated subsequent events through September 21, 2018, for their potential impact on the financial statements and disclosures through September 21, 2018, which is the date the financial statements were available to be issued.