

**CONSTITUTIONAL RIGHTS FOUNDATION OF
ORANGE COUNTY**

Financial Statements

Year ended June 30, 2022

(With Independent Auditor's Report Thereon)

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Financial Statements

Year ended June 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2022, the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit

conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
September 21, 2022

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Statement of Financial Position

June 30, 2022

Assets

Current assets:

Cash and cash equivalents	\$	160,576
Investments (note 2)		251,512
Contracts receivable		15,000
Prepaid expenses		848
Deposits		<u>2,860</u>

Total current assets 430,796

Fixed assets, net (note 3) 4,387

Total assets \$ 435,183

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	2,015
Accrued salaries and benefits		28,471
Deferred revenue		53,000
Deferred rent (note 6)		<u>1,870</u>

Total current liabilities 85,356

Total liabilities 85,356

Net assets:

Without donor restrictions	349,827
With donor restrictions	<u>-</u>

Total net assets 349,827

Total liabilities and net assets \$ 435,183

See accompanying notes to financial statements.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Statement of Activities

Year ended June 30, 2022

Support and revenue:	
Foundation grants	\$ 87,953
Contributions	51,962
Program fees	40,275
Investment income (loss), net	<u>(34,767)</u>
Net support and revenue	<u>145,423</u>
Special events: (note 5)	
Special event revenue:	
Foundation grants	4,000
Contributions	107,444
Other special event revenue	11,810
Less direct expenses	<u>(42,623)</u>
Net support from special events	<u>80,631</u>
Total support and revenue	<u>226,054</u>
Expenses:	
Program services:	
Mock Trial	100,785
Peer Court	49,307
Other programs	<u>55,710</u>
Total program services	<u>205,802</u>
Supporting services:	
Management and general	53,226
Fundraising	<u>31,360</u>
Total supporting services	<u>84,586</u>
Total expenses	<u>290,388</u>
Increase (decrease) in net assets	(64,334)
Net assets at beginning of year	<u>414,161</u>
Net assets at end of year	<u>\$ 349,827</u>

See accompanying notes to financial statements.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES			Total
	Mock Trial	Peer Court	Other Programs	Program Services Total	Management and General	Fund - Raising	Supporting Services Total	
Program related	\$ 21,737	343	1,834	23,914	992	28,293	29,285	53,199
Salaries and benefits	54,867	35,404	38,690	128,961	30,170	31,708	61,878	190,839
Rent	12,296	6,810	6,244	25,350	5,675	6,810	12,485	37,835
Insurance	1,670	925	847	3,442	771	925	1,696	5,138
Utilities - telephone	2,299	1,441	1,100	4,840	927	1,113	2,040	6,880
Postage	45	25	22	92	21	25	46	138
Professional services	3,997	2,214	4,740	10,951	1,845	2,214	4,059	15,010
Website maintenance	919	509	467	1,895	444	509	953	2,848
Supplies	327	181	167	675	1,378	181	1,559	2,234
Other business expenses	2,595	1,437	1,318	5,350	7,025	2,187	9,212	14,562
Marketing expenses	33	18	281	332	1,176	18	1,194	1,526
Board expenses	-	-	-	-	1,665	-	1,665	1,665
Total expenses before depreciation	100,785	49,307	55,710	205,802	52,089	73,983	126,072	331,874
Depreciation	-	-	-	-	1,137	-	1,137	1,137
Total functional expenses	100,785	49,307	55,710	205,802	53,226	73,983	127,209	333,011
Less direct expenses of special events	-	-	-	-	-	(42,623)	(42,623)	(42,623)
Total expenses	\$ 100,785	49,307	55,710	205,802	53,226	31,360	84,586	290,388

See accompanying notes to financial statements.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Statement of Cash Flows

Year ended June 30, 2022

Cash flows from operating activities:	
Cash received from public support and contracts	\$ 136,911
Cash received from special events, net	84,531
Cash paid to employees	(184,818)
Cash paid to vendors	<u>(80,319)</u>
Net cash provided (used) by operating activities	<u>(43,695)</u>
Cash flows from investing activities:	
Purchase of fixed assets	(681)
Purchase of investments	<u>(5,393)</u>
Net cash provided (used) by investing activities	<u>(6,074)</u>
Net increase (decrease) in cash	(49,769)
Cash and cash equivalents at beginning of year	<u>210,345</u>
Cash and cash equivalents at end of year	<u><u>\$ 160,576</u></u>
Reconciliation of changes in net assets to net cash provided (used) by operating activities:	
Increase (decrease) in net assets	\$ (64,334)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation	1,137
Unrealized (gain) loss on investments	40,265
Forgiveness of note payable	(32,753)
(Increase) decrease in contracts receivable	(3,004)
(Increase) decrease in prepaid expenses	4,817
Increase (decrease) in accounts payable	1,156
Increase (decrease) in accrued salaries and benefits	6,021
Increase (decrease) in deferred revenue	3,900
Increase (decrease) in deferred rent	<u>(900)</u>
Net cash provided (used) by operating activities	<u><u>\$ (43,695)</u></u>
<u>Noncash Investing and Financing Activities:</u>	
Forgiveness of note payable	<u><u>\$ 32,753</u></u>

See accompanying notes to financial statements.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

Year ended June 30, 2022

(1) Summary of Significant Accounting Policies

(a) Organization and Nature of Services

The Constitutional Rights Foundation of Orange County (the "Organization") 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 Organization 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 Organization 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 Organization 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 Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

(d) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization 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.

(e) Fixed assets

The Organization's fixed assets 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. Fixed are depreciated using the straight-line method over the estimated useful lives of three to six years. The Organization capitalizes all assets valued at \$500 or greater.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

(f) Income Taxes

The Organization 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 the 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 Organization received donated services from a variety of unpaid volunteers assisting the Organization 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.

(h) Net Assets

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

Year ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

The Organization's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

(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.

(j) Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Expenses that can be identified with a specific program are charged directly to that program. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable method that is consistently applied, as follows:

- Salaries and wages, benefits and payroll taxes are allocated based on each employee's activities and reviewed annually.
- All other expenses are apportioned based on a blended rate of staff time allocation.

General and Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, except for costs relating directly to the Annual Benefit which are reflected in the same fiscal year as the event.

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

Year ended June 30, 2022

(2) Investments

Investments at June 30, 2022 are composed of the following:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds (ETF)			
Bond funds	\$ 70,762	-	-
Equity funds	22,715	-	-
Mutual funds			
Bond funds	120,474	-	-
Equity funds	<u>37,561</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 251,512</u>	<u>-</u>	<u>-</u>

(3) Fixed Assets

Fixed assets consisted of the following at June 30, 2022:

Computers and software	\$ 8,972
Furniture and equipment	1,812
Website	<u>8,938</u>
Subtotal	19,722
Less accumulated depreciation and amortization	<u>(15,335)</u>
Total	<u>\$ 4,387</u>

Depreciation and amortization expense was \$1,137 for the year ended June 30, 2022.

(4) Related Party Transactions

The spouse of a Board member provides contract accounting services to the Organization. Compensation paid to the contract accountant for the year ending June 30, 2022 amounted to \$3,899 with a balance of \$319 outstanding at year end.

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

(5) Special Events

The Organization held one special event during the year ended June 30, 2022, the results of which are as follows:

Special event revenue	\$ 11,810
Less: direct expenses	<u>(1,865)</u>
Net support from special event	<u>\$ 9,945</u>

CONSTITUTIONAL RIGHTS FOUNDATION OF ORANGE COUNTY

Notes to Financial Statements

Year ended June 30, 2022

(6) Lease Commitments

In June 2013, the Organization 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 Organization 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 \$1,870 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, 2022:

<u>Year Ending June 30</u>	<u>Payment</u>
2023	\$ 37,950
Total	<u>\$ 37,950</u>

Rent expense amounted to \$37,835 for the year ending June 30, 2022.

(7) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 160,576
Investments	251,512
Contracts receivable	<u>15,000</u>
Total financial assets	<u>427,088</u>
Amount available for general expenditures within one year	<u>\$ 427,088</u>

As part of the liquidity management plan, the Organization invests cash in excess of daily requirements in a money market fund. In addition, the Organization has established two investment accounts to hold funds in excess of \$100,000 in accordance with the board approved investment policy.

(8) Subsequent Events

Subsequent events have been evaluated by management through September 21, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.