

Constitutional Rights Foundation

Financial Statements

December 31, 2016



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INDEPENDENT AUDITOR'S REPORT

To the 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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 ("U.S. GAAP"); 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 U.S. ("U.S. GAAS"). 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 Foundation'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 Foundation'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, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. GAAP.

Armanino LLP

Armanino^{LLP}
Los Angeles, California

May 9, 2017

Constitutional Rights Foundation
Statement of Financial Position
December 31, 2016

ASSETS

| | |
|---|-------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 925,832 |
| Investments | 2,500,161 |
| Accounts receivable, net | 106,920 |
| Contributions and grants receivable, net | 16,553 |
| Prepaid expenses | <u>31,848</u> |
| Total current assets | <u>3,581,314</u> |
| Other assets | |
| Board-designated investments | 1,375,709 |
| Beneficial interest in charitable remainder trust | 69,512 |
| Cash surrender value of life insurance | 514,474 |
| Property and equipment, net | <u>696,555</u> |
| Total other assets | <u>2,656,250</u> |
| Total assets | <u>\$ 6,237,564</u> |

LIABILITIES AND NET ASSETS

| | |
|---|-------------------------|
| Current liabilities | |
| Accounts payable and accrued expenses | \$ 138,239 |
| Deferred program fees | 103,530 |
| Accrued postretirement benefits | <u>33,628</u> |
| Total current liabilities | 275,397 |
| Accrued postretirement benefits, net of current portion | <u>405,378</u> |
| Total liabilities | <u>680,775</u> |
| Commitments (Notes 11 and 12) | |
| Net assets | |
| Unrestricted | |
| General | 2,778,375 |
| Board-designated | 1,383,635 |
| Invested in property and equipment | <u>696,555</u> |
| Total unrestricted | 4,858,565 |
| Temporarily restricted | 598,224 |
| Permanently restricted | <u>100,000</u> |
| Total net assets | <u>5,556,789</u> |
| Total liabilities and net assets | <u>\$ 6,237,564</u> |

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

Constitutional Rights Foundation
Statement of Activities
For the Year Ended December 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenue and support | | | | |
| Spring dinner, net of costs of direct benefit of \$67,375 | \$ 768,328 | \$ 57,500 | \$ - | \$ 825,828 |
| Contributed materials, services and use of facilities | 529,309 | - | - | 529,309 |
| Program fees | 375,069 | - | - | 375,069 |
| Contributions and private grants | 188,107 | 505,234 | - | 693,341 |
| Sales of publications | 60,943 | - | - | 60,943 |
| Government grants and contract revenue | 34,056 | - | - | 34,056 |
| Other income | 20,507 | - | - | 20,507 |
| Net assets released from restrictions | <u>244,706</u> | <u>(244,706)</u> | <u>-</u> | <u>-</u> |
| | <u>2,221,025</u> | <u>318,028</u> | <u>-</u> | <u>2,539,053</u> |
| Functional expenses | | | | |
| Program services | <u>1,959,596</u> | <u>-</u> | <u>-</u> | <u>1,959,596</u> |
| Support services | | | | |
| Management and general | <u>385,925</u> | <u>-</u> | <u>-</u> | <u>385,925</u> |
| Fundraising | | | | |
| Spring Dinner | 50,184 | - | - | 50,184 |
| Development | <u>114,203</u> | <u>-</u> | <u>-</u> | <u>114,203</u> |
| Total fundraising | <u>164,387</u> | <u>-</u> | <u>-</u> | <u>164,387</u> |
| Total functional expenses | <u>2,509,908</u> | <u>-</u> | <u>-</u> | <u>2,509,908</u> |
| Changes in net assets before investment results | <u>(288,883)</u> | <u>318,028</u> | <u>-</u> | <u>29,145</u> |
| Investment results | | | | |
| Dividends and interest | 90,761 | - | - | 90,761 |
| Realized gains on sales of investments | 56,655 | - | - | 56,655 |
| Unrealized gains on investments | 140,238 | - | - | 140,238 |
| Unrealized gains on beneficial interest in charitable remainder trust | <u>-</u> | <u>2,652</u> | <u>-</u> | <u>2,652</u> |
| Net investment results | <u>287,654</u> | <u>2,652</u> | <u>-</u> | <u>290,306</u> |
| Changes in net assets | (1,229) | 320,680 | - | 319,451 |
| Net assets, beginning of year | <u>4,859,794</u> | <u>277,544</u> | <u>100,000</u> | <u>5,237,338</u> |
| Net assets, end of year | <u>\$ 4,858,565</u> | <u>\$ 598,224</u> | <u>\$ 100,000</u> | <u>\$ 5,556,789</u> |

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

Constitutional Rights Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2016

| | Program services | Support Services | | Total Fundraising | Total | |
|--|---------------------|---------------------------|------------------|----------------------|-------------------|---------------------|
| | | Management and General | Fundraising | | | |
| | | | Spring Dinner | Development | | |
| Personnel expenses | | | | | | |
| Compensation | \$ 872,212 | \$ 171,575 | \$ - | \$ 65,305 | \$ 65,305 | \$ 1,109,092 |
| Benefits and payroll taxes | <u>215,604</u> | <u>47,930</u> | <u>-</u> | <u>16,473</u> | <u>16,473</u> | <u>280,007</u> |
| Total personnel expenses | 1,087,816 | 219,505 | - | 81,778 | 81,778 | 1,389,099 |
| Conferences, travel, staff development | 72,586 | 28,890 | 27,419 | 1,932 | 29,351 | 130,827 |
| Contract services | 25,825 | 73,924 | 1,000 | 11,500 | 12,500 | 112,249 |
| Contributed facilities and services | 529,309 | - | - | - | - | 529,309 |
| Data processing | 7,899 | - | - | 667 | 667 | 8,566 |
| Depreciation and amortization | 7,798 | 1,536 | - | 452 | 452 | 9,786 |
| Occupancy | 44,890 | 10,834 | - | 7,625 | 7,625 | 63,349 |
| Office administration | 72,812 | 16,274 | 368 | 3,409 | 3,777 | 92,863 |
| Printing and materials | 51,798 | 184 | 16,256 | 2,145 | 18,401 | 70,383 |
| Processing fees | 7,715 | 11,561 | 4,269 | 4,695 | 8,964 | 28,240 |
| Professional services | 24,905 | 23,217 | - | - | - | 48,122 |
| Stipends and release time | <u>26,243</u> | <u>-</u> | <u>872</u> | <u>-</u> | <u>872</u> | <u>27,115</u> |
| | <u>\$ 1,959,596</u> | <u>\$ 385,925</u> | <u>\$ 50,184</u> | <u>\$ 114,203</u> | <u>\$ 164,387</u> | <u>\$ 2,509,908</u> |

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

Constitutional Rights Foundation
Statement of Cash Flows
For the Year Ended December 31, 2016

| | |
|---|-------------------|
| Cash flows from operating activities | \$ 319,451 |
| Changes in net assets | 9,786 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | (56,655) |
| Depreciation and amortization | (140,238) |
| Realized gains on sales of investments | (2,652) |
| Unrealized gains on investments | 19,644 |
| Unrealized gains on beneficial interest in charitable remainder trust | 92,172 |
| Changes in operating assets and liabilities | 6,216 |
| Accounts receivable | (37,986) |
| Contributions and grants receivable | (47,088) |
| Prepaid expenses | 9,638 |
| Cash surrender value of life insurance | 1,637 |
| Accounts payable and accrued expenses | 173,925 |
| Deferred program fees | |
| Accrued postretirement benefits | |
| Net cash provided by operating activities | <u>173,925</u> |
| Cash flows from investing activities | |
| Purchases of investments | (172,027) |
| Proceeds from sales of investments | 290,402 |
| Purchases of property and equipment | <u>(5,098)</u> |
| Net cash provided by investing activities | <u>113,277</u> |
| Net increase in cash and cash equivalents | 287,202 |
| Cash and cash equivalents, beginning of year | <u>638,630</u> |
| Cash and cash equivalents, end of year | <u>\$ 925,832</u> |

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

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

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 42,000 teachers nationally through teacher professional development, a range of high quality educational programs, print materials, and online resources,.

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 48 states; California Mock Trial, a statewide academic competition involving some 8,000 students and 3,000 legal volunteers, and Expanding Horizons Internships, an intensive summer seminar and work experience program for deserving urban youth that features academic and college preparation, as well as civic learning that has served some 1,500 youths. The Foundation receives support by state and foundation grants, contributions from private business organizations, fees for service and publication revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted (general and board-designated), temporarily restricted, and permanently restricted.

Unrestricted Net Assets, General - Include grants and contracts, program fees, contributions, sales and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Foundation.

Unrestricted Board-Designated Net Assets - Include unrestricted 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.

Unrestricted Net Assets Invested in Property and Equipment - Include unrestricted net assets the Foundation currently has invested in property and equipment, net of accumulated depreciation.

Temporarily Restricted Net Assets - Include contributions and private grants received where use is temporarily restricted by the donor or contributions and grants receivable which are time restricted. When the conditions of the restrictions are met or expire or the contributions and grants receivable are collected, the net assets of this class are reclassified to unrestricted net assets.

Permanently Restricted Net Assets - Include assets that have been restricted by the donor in perpetuity to establish a cash reserve fund.

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

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, 2013, 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, 2012, 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.

Accounts receivable

Accounts receivable consist of amounts earned and not yet collected from the Foundation's grants and 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.

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial interest in charitable remainder trust

The Foundation is a named beneficiary of a charitable remainder trust. Management receives a 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 1.8%. 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:

| | |
|----------------------------|----------|
| 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.

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 restrictions.

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.

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed materials, services, and use of facilities (continued)

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

| | |
|--|-------------------|
| Professional services in connection with Mock Trials | \$ 501,309 |
| Conferences and meetings (contributed occupancy) | <u>28,000</u> |
| | <u>\$ 529,309</u> |

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.

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.

Impairment

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.

Subsequent events

The Organization has evaluated events subsequent to December 31, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 9, 2017, 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.

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

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, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|--------------|---------|---------|--------------|
| U.S. equities | \$ 1,649,546 | \$ - | \$ - | \$ 1,649,546 |
| International equities | 1,077,501 | - | - | 1,077,501 |
| U.S. bonds | 802,082 | - | - | 802,082 |
| International bonds | 346,741 | - | - | 346,741 |
| | \$ 3,875,870 | \$ - | \$ - | \$ 3,875,870 |

Investments consist of the following:

| | |
|------------------------------|--------------|
| Investments - current | \$ 2,500,161 |
| Board-designated investments | 1,375,709 |
| | \$ 3,875,870 |

Activity in the investments during the year was as follows:

| | |
|--|--------------|
| Balance, beginning of year | \$ 3,797,352 |
| Purchases of investments | 172,027 |
| Proceeds from sales of investments | (290,402) |
| Realized gains on sales of investments | 56,655 |
| Unrealized gains on investments | 140,238 |
| Balance, end of year | \$ 3,875,870 |

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

| | |
|---------------------------------|------------|
| Accounts receivable | \$ 113,631 |
| Allowance for doubtful accounts | (6,711) |
| | \$ 106,920 |

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following:

| | |
|--|-------------------------|
| Due in less than one year | \$ 22,071 |
| Allowance for potentially uncollectible contributions and grants | <u>(5,518)</u> |
| | <u><u>\$ 16,553</u></u> |

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | |
|---|--------------------------|
| Land | \$ 617,157 |
| Buildings and improvements | 611,743 |
| Furniture and equipment | <u>344,088</u> |
| | 1,572,988 |
| Accumulated depreciation and amortization | <u>(876,433)</u> |
| | <u><u>\$ 696,555</u></u> |

7. BOARD-DESIGNATED UNRESTRICTED NET ASSETS

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.

Board-designated unrestricted net assets consist of the following:

| | |
|---|----------------------------|
| Robert and Phyllis Henigson Fund | \$ 308,182 |
| Creative Kids Internship Program Endowment Fund | 404,926 |
| Keck Challenge Grant Fund (see Note 9) | 200,000 |
| Alan I. Rothenberg Endowment Fund | 210,722 |
| James A. Cobey Endowment Fund | 94,697 |
| Jack Strutman Endowment Fund | 84,661 |
| Jerome C. Byrne Fund | 72,521 |
| Capital Facility Improvement Reserve | <u>7,926</u> |
| | <u><u>\$ 1,383,635</u></u> |

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

8. TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets during the year are as follows:

| | <u>Released from Restrictions</u> | <u>Balance, December 31, 2016</u> |
|--------------------------------|---------------------------------------|---|
| Service learning | \$ (72,567) | \$ 243,627 |
| Expanding horizons internships | (64,707) | 69,031 |
| Law-related education | (57,432) | 108,554 |
| Time restriction only | <u>(50,000)</u> | <u>107,500</u> |
| | (244,706) | 528,712 |
| Charitable remainder trust | <u>-</u> | <u>69,512</u> |
| | <u>\$ (244,706)</u> | <u>\$ 598,224</u> |

The \$107,500 balance of temporarily restricted net assets which have been classified as 'time restricted only' consists of contributions received during 2016 totaling \$107,500 which have no donor purpose restrictions but have been time restricted by the donor to not be available for use until 2017.

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets 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 board-designated unrestricted net assets (see Note 7). The permanently restricted and matching amount are included in cash and cash equivalents on the accompanying statement of financial position.

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

10. ENDOWMENT

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 permanently donor-restricted 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 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 endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an annual rate equal to or greater than inflation. This is consistent with the organization'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.

Endowment net asset composition by type of fund

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Board-designated endowment funds | \$ 1,375,709 | \$ - | \$ - | \$ 1,375,709 |
| Board-designated reserve funds | <u>7,926</u> | <u>-</u> | <u>-</u> | <u>7,926</u> |
| | <u>\$ 1,383,635</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,383,635</u> |

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

10. ENDOWMENT (continued)

Changes in endowment net assets and reserve funds during the year:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Balance, January 1, 2016 | \$ 1,327,095 | \$ - | \$ - | \$ 1,327,095 |
| Net realized and unrealized gains | 68,775 | - | - | 68,775 |
| Investment income | 32,061 | - | - | 32,061 |
| Investment fees | (4,969) | - | - | (4,969) |
| Appropriation for expenditure | <u>(39,327)</u> | <u>-</u> | <u>-</u> | <u>(39,327)</u> |
| Balance, December 31, 2016 | <u>\$ 1,383,635</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,383,635</u> |

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 \$27,731 during the year ended December 31, 2016.

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 \$33,761 during the year. The amount included in the accrued postretirement benefits on the accompanying statement of financial position totaled \$393,822 at December 31, 2016.

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 \$2,877, totaled \$35,000 during the year. The amount included in the accrued postretirement benefits on the accompanying statement of financial position totaled \$45,184 at December 31, 2016.

12. COMMITMENTS

The Foundation leases certain office equipment under non-cancelable operating leases through December 2021. Rent expense related to the leases totaled \$5,191 for the year.

Constitutional Rights Foundation
Notes to Financial Statements
December 31, 2016

12. COMMITMENTS (continued)

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

Year ending December 31,

| | |
|------|------------------|
| 2017 | \$ 7,200 |
| 2018 | 7,200 |
| 2019 | 4,950 |
| 2020 | 4,200 |
| 2021 | <u>4,200</u> |
| | <u>\$ 27,750</u> |