

CIVIL RIGHTS EDUCATION AND ENFORCEMENT CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CIVIL RIGHTS EDUCATION AND ENFORCEMENT CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

September 15, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors
Civil Rights Education and Enforcement Center
Denver, Colorado

We have audited the accompanying financial statements of Civil Rights Education and Enforcement Center (a Colorado nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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.

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 of 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 Civil Rights Education and Enforcement Center as of December 31, 2020, 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.

Emphasis of Matter

The previously issued 2019 financial statements have been restated for certain material misstatements to program fee revenue, accounts receivable, and opening net assets. Other adjustments have been made for cash, expenses, and liabilities. These prior period adjustments are described in footnote 10.

Taylor Roth and Company P/C
Taylor, Roth and Company, PLLC
Certified Public Accountants
Denver, Colorado

CIVIL RIGHTS EDUCATION AND ENFORCEMENT CENTER

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,140,432	\$ 528,006
Contributions receivable	124,677	156,628
Grants and contracts receivable	75,000	75,000
Prepaid expenses	25,901	6,756
Property and equipment, net (Note 4)	46,929	39,358
Other assets	20,292	18,712
Total assets	<u>\$ 2,433,231</u>	<u>\$ 824,460</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 23,821	\$ 24,388
Accrued payroll expenses	6,038	10,157
Client trust liability	17,237	5,824
Financing lease liability (Note 8)	14,687	10,273
Note payable (Note 5)	108,564	-
Total liabilities	<u>170,347</u>	<u>50,642</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	2,073,664	568,418
Net investment in property and equipment	46,929	39,358
	<u>2,120,593</u>	<u>607,776</u>
With donor restrictions (Note 6)	142,291	166,042
Total net assets	<u>2,262,884</u>	<u>773,818</u>
Total liabilities and net assets	<u>\$ 2,433,231</u>	<u>\$ 824,460</u>

The accompanying notes are an integral part of these financial statements

CIVIL RIGHTS EDUCATION AND ENFORCEMENT CENTER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Program service fees	\$ 2,451,558	\$ -	\$ 2,451,558	\$ 1,033,490
Contributions and grants	138,390	175,000	313,390	293,604
Special event income, net	42,223	-	42,223	(9,534)
Net gain (loss) on copier trade	-	-	-	-
Net assets released from restrictions (Note 7)	198,751	(198,751)	-	-
Total revenue and other support	2,830,922	(23,751)	2,807,171	1,317,560
<u>Expenses</u>				
Program services	1,114,461	-	1,114,461	773,690
Supporting services				
Management and general	169,093	-	169,093	172,612
Fund-raising	34,551	-	34,551	51,940
Total expenses	1,318,105	-	1,318,105	998,242
Change in net assets	1,512,817	(23,751)	1,489,066	319,318
Net assets, beginning of year	607,776	166,042	773,818	454,500
Net assets, end of year	\$ 2,120,593	\$ 142,291	\$ 2,262,884	\$ 773,818

The accompanying notes are an integral part of these financial statements

CIVIL RIGHTS EDUCATION AND ENFORCEMENT CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019	
	Program Services	Supporting Services		Total	Total
		Management and General	Fund-raising		
Salaries	\$ 649,544	\$ 82,126	\$ 14,932	\$ 746,602	\$ 540,100
Employee benefits	66,559	8,416	1,530	76,505	74,175
Payroll taxes	57,359	7,252	1,319	65,930	40,988
Travel	8,299	1,049	191	9,539	56,516
Occupancy	98,449	35,160	7,032	140,641	58,095
Counsel, court, & other program costs	73,924	-	-	73,924	28,241
Education and outreach	45,737	-	-	45,737	32,826
Accounting	-	15,917	-	15,917	10,960
Legal	8,009	1,013	184	9,206	15,302
Other Professional Services	11,016	1,393	253	12,662	4,320
Dues & fees	27,559	3,484	634	31,677	13,173
Contract labor & consulting	17,832	2,255	409	20,496	22,581
Office expenses	9,853	3,519	703	14,075	15,795
Communications	9,146	1,156	211	10,513	9,970
Interest expense	1,625	205	38	1,868	516
Insurance	5,298	670	122	6,090	10,674
Fundraising	-	-	5,930	5,930	15,075
Software & IT	5,009	633	116	5,758	8,659
Printing & postage	3,788	479	87	4,354	5,681
Miscellaneous expenses	2,023	723	144	2,890	5,565
Bank & credit card fees	2,072	262	48	2,382	1,252
Staff training & resources	1,978	250	45	2,273	17,622
Meals & entertainment	953	120	22	1,095	3,481
Special event expense	-	-	778	778	13,284
Repairs & maintenance	537	192	38	767	4,323
	1,106,569	166,274	34,766	1,307,609	1,010,999
Depreciation	7,892	2,819	563	11,274	7,213
Less: Special event expense netted with revenue	-	-	(778)	(778)	(13,284)
Total expenses	\$ 1,114,461	\$ 169,093	\$ 34,551	\$ 1,318,105	\$ 1,004,928

The accompanying notes are an integral part of these financial statements

CIVIL RIGHTS EDUCATION AND ENFORCEMENT CENTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,489,066	\$ 319,318
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,274	7,213
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	31,951	(147,682)
(Increase)decrease in grants and contracts receivable	-	(75,000)
(Increase)decrease in prepaid expenses	(19,145)	(6,756)
(Increase)decrease in other assets	(1,580)	(14,712)
Increase(decrease) in accounts payable	(567)	7,987
Increase(decrease) in accrued payroll expenses	(4,119)	7,211
Increase(decrease) in funds held for others	11,413	(2,250)
Net cash provided(used) by operating activities	1,518,293	95,329
 <u>Cash flows from investing activities</u>		
(Additions) to property and equipment	(24,532)	(17,066)
Net cash provided(used) by investing activities	(24,532)	(17,066)
 <u>Cash flows from financing activities</u>		
Proceeds from PPP loan	108,564	-
Trade-in of financing lease asset	5,687	
Increase(decrease) in financing lease obligation	4,414	(2,840)
Net cash provided(used) by financing activities	118,665	(2,840)
 Net increase(decrease) in cash and cash equivalents	1,612,426	75,423
 Cash and cash equivalents, beginning of year	528,006	452,583
Cash and cash equivalents, end of year	\$ 2,140,432	\$ 528,006

The accompanying notes are an integral part of these financial statements

CIVIL RIGHTS EDUCATION AND ENFORCEMENT CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 - NATURE OF ACTIVITIES

Civil Rights Education and Enforcement Center (the Organization) is a Colorado nonprofit corporation established in April 2013 to defend human and civil rights secured by law. The Organization achieves its mission through education, member input, instructional materials, individual advocacy, collaboration, enforcement, investigations, and filing lawsuits.

Funding for the Organization is obtained primarily through program service fees and charitable contributions and grants from interested parties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Receivables

Accounts receivable represent amounts that have been billed for program service fees but not yet collected as of the date of the financial statements. Grants receivable represent amounts that have been awarded to the Organization but not yet collected as of December 31, 2020. Receivables are stated at the amount management expects to be collected from the outstanding balances. As of December 31, 2020, management has determined, based on historical experience and

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

4. Receivables (completed)

subsequent collections, that all amounts are fully collectible, and no allowance for doubtful accounts is necessary.

5. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how the contributed assets must be used are recorded as net assets with donor restrictions. Otherwise, the contributions are recorded as net assets without donor restrictions.

6. Contributed Services

Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services for the year ended December 31, 2020.

7. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of capitalized assets is taken over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives range from 3 to 30 years.

8. Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the year ended December 31, 2020.

9. Funds Held for Others

Funds held for others are funds awarded as a result of successful claims that are held by the Organization for the benefit of the claimant. If settlement funds are received that include amounts owed to other attorneys, the Organization distributes those funds accordingly.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (completed)

11. Income taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

12. Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of staff time and effort include: employee salaries and wages; payroll taxes and benefits; office rent and utilities; telephone and internet; insurance; repairs and maintenance; travel; and depreciation.

13. New Accounting Pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). The standards update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions); and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Organization does not believe the application of the provisions of the standards update materially change the recognition of contributions received during the year.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020:

<u>Description</u>	<u>2020</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 2,122,199
Accounts receivable	124,677
Grants and contracts receivable	<u>75,000</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 2,321,876</u>

The Organization receives significant contributions that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the year ended December 31, 2020, the level of liquidity and reserves was managed within the guiding principles.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 33,248
Leasehold improvements	11,443
Financing lease assets	<u>14,189</u>
Total	58,880
Less: accumulated depreciation	<u>(11,951)</u>
Net property and equipment	<u>\$ 46,929</u>

Depreciation expense was \$11,274 for the year ended December 31, 2020.

NOTE 5 - NOTE PAYABLE – SBA PPP

On May 6, 2020, the Organization received loan proceeds in the amount of \$108,564 under the Small Business Administration's Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying organizations up to 2.5 times the organization's average monthly payroll expenses.

PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warrants, and insolvency. The PPP loan may be accelerated upon the occurrence of a default event.

Any unforgiven portion of the PPP loan is payable monthly over 8 months beginning October 10, 2021, at an interest rate of 1% per annum, with the final payment due May 10, 2022. Management intends to use the proceeds of the PPP loan according to the terms of the agreement and anticipates forgiveness of the note during the fiscal year ending December 31, 2021.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At year-end, net assets with donor restrictions are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Immigration Detention Accountability Project	\$ 79,713
Removing healthcare barriers for the deaf	<u>62,578</u>
	<u>\$ 142,291</u>

NOTE 7 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes

<u>Description</u>	<u>Amount</u>
Fraihat case	\$ 33,232
Immigration Detention Accountability Project	153,097
Removing healthcare barriers for the deaf	<u>12,422</u>
Total	<u>\$ 198,751</u>

NOTE 8 - LEASE COMMITMENTS

Financing lease:

The Organization leases equipment under a non-cancelable financing lease. The lease expires in March of 2024. The leased equipment has a cost of \$14,188 and has no accumulated depreciation at December 31, 2020. Monthly payments are \$399.

Future minimum lease payments required under the non-cancelable financing lease are as follows at December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 4,792
2022	4,792
2023	4,792
2024	1,198
2025	-
Total minimum lease payments	<u>15,574</u>
Less: amount representing interest	<u>(1,386)</u>
	<u>\$ 14,188</u>

Operating leases:

The Organization entered into a non-cancelable operating lease for office space in Denver, CO. The agreement requires initial monthly payments of \$7,386 and expires in February of 2025. Rent expense was \$128,641 for the year ended December 31, 2020.

The Organization leases equipment under a non-cancelable operating lease. The lease requires monthly minimum payments of \$57 and expires in June of 2025. Rent expense was \$684 for the year ended December 31, 2020.

Future annual minimum lease payments required under the non-cancelable operating leases are as follows at December 31, 2020:

NOTE 8 - LEASE COMMITMENTS (concluded)

Operating leases (concluded):

<u>Year</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 85,353	\$ 684	\$ 86,037
2022	90,130	684	90,814
2023	91,932	684	92,616
2024	93,733	684	94,418
2025	15,672	642	16,014
	<u>\$ 376,820</u>	<u>\$ 3,378</u>	<u>\$ 379,899</u>

The Organization leases office space in California on a month-to-month basis for \$1,000 per month. Rent expense for the California office for the year ended December 31, 2020 was \$12,000.

NOTE 9 - CONCENTRATIONS OF RISK

Bank balance - The Organization maintains its operating cash account at U.S. Bank located in Denver, CO. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Total uninsured cash balances at December 31, 2020 and December 31, 2019 were \$1,865,114 and \$268,925, respectively.

Major Customers – Revenue from the four largest customers of the Organization comprised 82% of total revenue and support for the year ended December 31, 2020.

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

During the audit of 2020, it was determined that revenue, receivables, and net assets were understated in the amount of \$156,627 for the year ended December 31, 2019. In addition, immaterial adjustments were made to pension expense, payroll liabilities, and cash. Corrections made resulted in the following restated balances for 2019.

<u>Description</u>	<u>Original</u>	<u>Change</u>	<u>Restated</u>
Cash - Oppenheimer investment account	\$ -	\$ 996	\$ 996
Accounts receivable		156,628	156,628
Oppenheimer IRA payable	528	6,683	7,211
Program service fees	876,863	156,628	1,033,491
Pension plan expense	-	7,211	7,211
Change in net assets	169,373	150,940	320,313
Net assets without donor restrictions, end of year	456,836	150,940	607,776

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2021, the date the financial statements were available to be issued.

Paycheck Protection Loan

Application for forgiveness of the Paycheck Protection Program ("PPP") loan was filed in February of 2021. The SBA has experienced delay and the loan forgiveness has not been received as of September 15, 2021.

New Executive Director

In a board meeting held in May of 2021, it was announced that the Co-Executive Directors would be stepping down and forming a new law firm. However, they will continue to be on the board and to act as co-counsel. Interviews were held and a new Executive Director was named in August of 2021.