



A S S U R A N C E D I M E N S I O N S

Financial Statements and Independent  
Auditor's Report

**American Constitutional Rights Union**

December 31, 2020

# American Constitutional Rights Union

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of  
**American Constitutional Rights Union:**

We have audited the accompanying financial statements of **American Constitutional Rights Union** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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.

### 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. 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 **American Constitutional Rights Union** as of December 31, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Assurance Dimensions*

Tampa, Florida  
December 20, 2021

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**American Constitutional Rights Union**  
**Statement of Financial Position**  
**As of December 31, 2020**

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**Assets**

Current Assets:	
Cash and cash equivalents	\$ 431,617
Due from related party	6,579
Total current assets	<u>438,196</u>
Property and equipment, net	7,565
Investments	<u>546,339</u>
Total Assets	<u>\$ 992,100</u>

**Liabilities and Net Assets**

Current Liabilities:	
Accounts payable	\$ 10,690
Accrued liabilities	8,893
Total current liabilities	<u>19,583</u>
Total Liabilities	19,583
Net Assets:	
Without donor restrictions	913,108
With donor restrictions	59,409
Total net assets	<u>972,517</u>
Total Liabilities and Net Assets	<u>\$ 992,100</u>

The accompanying notes are an integral part of this financial statement.

**American Constitutional Rights Union**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and public support:			
Grants and contributions	\$ 697,038	\$ 59,409	\$ 756,447
List rental	4,716	-	4,716
Net investment income	10,018	-	10,018
Unrealized gains on investments	47,575	-	47,575
Net assets released from restrictions:	-	-	-
Total revenue and public support	<u>759,347</u>	<u>59,409</u>	<u>818,756</u>
Expenses:			
Program expenses			
Defense of civil rights	351,568	-	351,568
Election integrity defense fund	242,386	-	242,386
Supporting Services			
General and administrative	107,112	-	107,112
Fundraising	<u>123,757</u>	<u>-</u>	<u>123,757</u>
Total expenses	824,823	-	824,823
Other Income:			
Forgiveness of Paycheck Protection Program loan	<u>39,409</u>	<u>-</u>	<u>39,409</u>
Changes in Net Assets	(26,067)	59,409	33,342
Beginning of year	<u>939,175</u>	<u>-</u>	<u>939,175</u>
End of year	<u><u>\$ 913,108</u></u>	<u><u>\$ 59,409</u></u>	<u><u>\$ 972,517</u></u>

The accompanying notes are an integral part of this financial statement.

**American Constitutional Rights Union**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

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**Cash flows from operating activities:**

Change in net assets:	\$	33,342
Adjustments to reconcile change in net assets used by operating activities:		
Gain on investment		(10,018)
Unrealized gain on investments		(47,575)
Depreciation		3,261
Forgiveness of Paycheck Protection Program loan		(39,409)
Prepaid expenses		3,500
Due from related party		(2,278)
Accounts payable		10,690
Accrued liabilities		<u>(32,365)</u>
Net cash provided used by operating activities		(80,852)

**Cash flows from investing activities:**

Purchases of property and equipment		(3,920)
Purchases of investments		(775,029)
Proceeds from the sale of investments		752,822
Maturities of certificates of deposits		<u>204,302</u>
Net cash provided by investing activities		178,175

**Cash flows from financing activities:**

Proceeds from Paycheck Protection Program loan		<u>39,409</u>
Net cash provided by financing activities		<u>39,409</u>

<b>Net increase in cash and cash equivalents</b>		136,732
<b>Cash and cash equivalents, beginning of period</b>		<u>294,885</u>
<b>Cash and cash equivalents, end of period</b>	<b>\$</b>	<u><u>431,617</u></u>

The accompanying notes are an integral part of this financial statement.

**American Constitutional Rights Union**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	Program Services			Supporting Services			2020 Total Expense
	Defense of Civil Rights	Election Integrity Defense Fund	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 38,832	\$ 117,004	\$ 155,836	\$ 32,289	\$ 31,953	\$ 64,242	\$ 220,078
Outreach	117,607	24,425	142,032	-	52,279	52,279	194,311
Professional fees/outside services	115,776	32,742	148,518	36,764	7,980	44,744	193,262
Travel and meetings	5,324	27,268	32,592	525	1,578	2,103	34,695
Printing	16,675	-	16,675	-	11,117	11,117	27,792
Postage/ mailing service	19,365	3,637	23,002	142	591	733	23,735
Employee benefits	4,045	12,135	16,180	5,579	-	5,579	21,759
Rent, parking, utilities	3,125	6,150	9,275	7,507	2,340	9,847	19,122
Back end costs	9,600	2,749	12,349	-	4,159	4,159	16,508
Payroll taxes	2,622	7,868	10,490	2,100	2,566	4,666	15,156
Membership dues and fees	8,790	-	8,790	600	-	600	9,390
Investment fees	-	-	-	7,129	-	7,129	7,129
Caging and escrow	-	-	-	-	6,564	6,564	6,564
Payroll processing	849	3,394	4,243	1,112	945	2,057	6,300
Office supplies and expense	3,790	1,407	5,197	351	288	639	5,836
Internet/web/e-mail hosting	3,621	900	4,521	246	556	802	5,323
Telephone	250	2,296	2,546	910	182	1,092	3,638
Bank charges/credit card fees	25	-	25	3,418	-	3,418	3,443
Depreciation	-	-	-	3,261	-	3,261	3,261
Business insurance	-	-	-	3,056	-	3,056	3,056
Miscellaneous expenses	744	200	944	866	-	866	1,810
List rental	528	211	739	-	659	659	1,398
Meals and entertainment	-	-	-	822	-	822	822
Interest	-	-	-	277	-	277	277
Books, subscriptions, reference	-	-	-	158	-	158	158
<b>Total expenditures</b>	<b>\$ 351,568</b>	<b>\$ 242,386</b>	<b>\$ 593,954</b>	<b>\$ 107,112</b>	<b>\$ 123,757</b>	<b>\$ 230,869</b>	<b>\$ 824,823</b>

The accompanying notes are an integral part of this financial statement.

# American Constitutional Right Union

## Notes to Financial Statements

December 31, 2020

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### Note A – Organization and Description of Business

The American Constitutional Rights Union (Formerly American Civil Rights Union) (the “Organization”) is a voluntary health and welfare organization organized in 1998 under section 501(c)(3) and operated to engage in activities defending constitutional rights of Americans and in such other charitable, scientific, and educational activities as may qualify it as exempt from federal income tax. The Organization’s program activities are “Defense of Constitutional Rights” and “Election Integrity Defense Fund”. “Defense of Constitutional Rights” helps defend the constitutional rights of Americans through the support of litigation. The program also provides a resource of information and educated the public through newsletters, television, internet, and radio regarding the protection of basic constitutional rights. “Election Integrity Defense Fund” works to ensure that there is ballot box integrity and aims to eliminate voter fraud in the U.S.

### Note B – Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported according to two classes of net assets:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors (the “Board”) has designated, from net assets without donor restrictions, net assets for various reasons
- *Net assets with donor restrictions* – Net assets subject to donor-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.

#### Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update, *Revenue from Contracts with Customers*. The effective date for this Standard for nonpublic entities is annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual periods beginning after December 15, 2016. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. The adoption of ASC 606 resulted in an immaterial impact to the individual financial statement line items of the Organization’s statement of activities for the year ended December 31, 2020.



# American Constitutional Right Union

## Notes to Financial Statements December 31, 2020

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### Note B – Significant Accounting Policies (continued)

#### Recently Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update, *Leases* (Topic 842), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the statement of assets, liabilities, and members' equity (deficit)—the new ASU will require both types of leases to be recognized on the statement of assets, liabilities, and members' equity (deficit). The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2021.

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization places its cash with high quality financial institutions. At times, cash may be in excess of FDIC insurance limits. The Organization does not believe it is exposed to any significant credit risk on cash.

#### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Income from investments is reflected net of related expenses.

The Organization's investments consisted of certificates of deposit, fixed income and equity mutual funds, and exchanged traded funds. The investments are considered to be available for sale and are recognized at fair value on the balance sheet.

#### Fair Value Measurement

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

# American Constitutional Right Union

## Notes to Financial Statements

December 31, 2020

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### Note B – Significant Accounting Policies (continued)

#### Fair Value Measurement (continued)

The Organization has not elected to measure any existing financial instruments, other than investments, at fair value, as permitted under the guidance. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

#### Property and Equipment

Property and equipment are recorded at cost purchased or fair value at date of gift, if contributed. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are eliminated, and any gain or loss is included in operations. Depreciation expense is calculated using straight-line method over the estimated useful lives of the respective assets, which range from 5 to 7 years.

#### Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated to program and supporting services on the following basis:

- Management and general expenses are allocated back to the departments based on FTEs
- Personnel expenses are allocated on the basis of direct salaries
- Building and occupancy costs, including related depreciation, are allocated on the basis of revenue and square footage
- Depreciation on the furniture and equipment is allocated on the basis of usage of the furniture and equipment

#### Contributions and Contributions Receivable

Contributions are recorded as net assets with or without donor restriction depending on the existence and nature of donor restrictions. All contributions are considered to be without donor restriction and available for use in the appropriate time period, unless specifically restricted by the donor.

Amounts restricted for future periods or restricted for specific purposes are reported as net assets with donor restrictions. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as satisfactions of program restrictions and net assets released. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as net assets without donor restriction.

Contributions from one donor represented 35% of total contributions for the year ended December 31, 2020.

#### Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the years ending December 31, 2020.

# American Constitutional Right Union

## Notes to Financial Statements December 31, 2020

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### Note B – Significant Accounting Policies (continued)

#### Income Taxes (continued)

The Organization follows the income tax standard for uncertain tax positions. The Organization has evaluated their tax positions and determined they have no uncertain tax positions as of December 31, 2020. Should the Organization's tax-exempt status be challenged in the future, the Organization's 2018, 2019, and 2020 tax years are open for examination by the IRS.

#### Use of 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 of assets, liabilities and net assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### Note C – Investments

The Organization's investments as of December 31, 2020 consist primarily of actively traded securities which are recorded at fair value. Investments are recorded at Level 1 within the fair value hierarchy; see Note B for fair value measurement disclosure.

The fair value of the Organization's investments consists of the following:

Year ending December 31, 2020	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds	\$ 340,196	\$ 396,381	\$ 56,185
Certificate of deposits	149,850	149,958	108
Total	<u>\$ 490,046</u>	<u>\$ 546,339</u>	<u>\$ 56,293</u>

Investment income on the above investments was approximately \$10,000 for the year ended December 31, 2020.

### Note D – Property and Equipment, net

Property and equipment, net consists of the following at December 31:

	<u>2020</u>	<u>Life (in years)</u>
Computer equipment	\$ 12,100	3-5
Furniture	6,629	7
	18,729	
Less – Accumulated depreciation	(11,164)	
	<u>\$ 7,565</u>	

Depreciation expense was approximately \$3,000 for the year ended December 31, 2020.

### Note E – Net Assets with Donor Restrictions

Net assets with donor restrictions totaling \$59,409 as of December 31, 2020 are time restricted and are available to be used for the Organization's general support for calendar year 2021.

# American Constitutional Right Union

## Notes to Financial Statements December 31, 2020

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### Note F – Paycheck Protection Program Loan

In May 2020, the Organization participated in the Paycheck Protection Program (the “PPP”) under the CARES Act and secured financing through a financial institution for approximately \$39,409 at 1.00% interest. The loan will mature in May 2022 and has a deadline for forgiveness for 10 month and 24 weeks. The loan is guaranteed by the Small Business Administration. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses. The loan qualifies for 100% forgiveness if certain criteria are met.

The Organization has adopted the principles of IAS 20, which provides a model for the accounting of different forms of government assistance, which includes forgivable loans. Under this model, government assistance is not recognized until there is reasonable assurance (similar to the probable thresholds in U.S. GAAP) that any conditions attached to the assistance will be met and the assistance will be received. Once there is reasonable assurance that the conditions will be met, the earnings impact of the grant is recorded on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Hence, a business entity would record the cash inflow from the PPP loan as a deferred income liability and subsequently reduce the liability, with the offset through earnings as either a credit in the income statements or a reduction of the related expenses, as is recognizes the related cost to which the loan relates, for example, payroll expense.

The Company used all of the PPP loan proceeds for salaries and wages. The Organization met the required criteria and received formal forgiveness of the loan in January 2021.

### Note G – Liquidity and Availability

The Organization’s management monitors its liquidity so that it is able to cover operating expenses. The Organization budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the Board.

Management has budgeted approximately \$1,075,000 of operating expenses to be paid within one year of the balance sheet date, and anticipates sufficient donations and fundraising to cover them. The Organization has the following financial assets available within one year of the balance sheet date for general expenditures:

	December 31, 2020
Financial assets:	
Cash	\$ 431,617
Due from related party	6,579
Investments	546,339
Total financial assets	984,535
Less: Financial assets not available within one year	(59,409)
	<u>\$ 925,126</u>

The Organization has structured its financial assets to be available as its general expenditures and liabilities come due. Financial assets not available within one year consist of net assets with donor restrictions. See Note E for further details regarding these amounts.

# American Constitutional Right Union

## Notes to Financial Statements

December 31, 2020

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### Note H – Related Party Transactions

The Organization shares common directors and provides operating support to The Robert B. Carleson Eagle Fund (“RCEF”). RCEF is a voluntary health and welfare organization organized in 2009 under section 501(c)(3) and operated for the purpose of sponsoring Boy Scouts of limited financial means to attend camp and to assist Boy Scout units that have been adversely affected by politically-motivated government or philanthropic decisions. All proceeds of the Eagle Fund will be designated for the support of the Boy Scouts.

The Organization shares common directors and provides operating support to The American Constitutional Rights Union Action Fund (formerly American Civil Rights Union Action Fund) (“ACRUAF”). ACRUAF was organized in 2010 under section 501(c)(4) and operated to conduct independent, non-partisan research on reforming a wide range of domestic spending programs with a focus on welfare and entitlement policy and to advocate government reform of welfare and other entitlement programs and limitation on taxation through grassroots efforts and public education. As of December 31, 2020, the Organization recorded \$6,579 as due from ACRUAF in the accompanying statement of financial position for expenses incurred but not yet reimbursed.

### Note I – Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization but which will only be resolved when one or more future events occur or fail to occur. The Organization’s management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization’s legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Organizations’s financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

### Note J – Subsequent Events

Subsequent events have been evaluated through December 20, 2021, which is the date the financial statements were available to be issue.