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CENTER FOR INDIVIDUAL RIGHTS

Financial Statements
and
Independent Auditor's Report

March 31, 2006 and 2005

[redacted]

CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Center for Individual Rights

We have audited the accompanying statements of financial position of the Center for Individual Rights as of March 31, 2006 and 2005, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Individual Rights as of March 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Stokes & Company, P.C.
STOKES & COMPANY, P.C.

April 27, 2006

CENTER FOR INDIVIDUAL RIGHTS
Statements of Financial Position
March 31, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,760,854	$ 1,219,692
Investments	771,204	886,319
Grants receivable - short term	145,000	200,000
Attorney's fees receivable	-	316,100
Rent and other receivables	14,321	2,153
Prepaid expenses	9,987	7,463
Total current assets	2,701,366	2,631,727
PROPERTY AND EQUIPMENT - AT COST less accumulated depreciation and amortization of $200,911 and $190,182 respectively	20,748	29,273
OTHER ASSETS		
Rent receivable	-	1,933
Grants receivable - long term	95,000	-
Deposits	18,620	18,090
Total assets	$ 2,835,734	$ 2,681,023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 33,066	$ 19,305
Security deposit	3,975	-
Total current liabilities	37,041	19,305
LONG-TERM LIABILITIES		
Security deposit	-	3,975
Accrued rent	67,396	65,502
Total liabilities	104,437	88,782
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	2,490,710	2,391,430
Temporarily restricted	240,587	200,811
Total net assets	2,731,297	2,592,241
	$ 2,835,734	$ 2,681,023

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Activities and Changes in Net Assets
Years ended March 31, 2006 and 2005

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Grants and contributions	$ 903,311	$ 240,000	$ 1,143,311	$ 1,334,756	$ 201,000	$ 1,535,756
Attorneys' fees	-	-	-	352,393	-	352,393
Investment income	73,689	-	73,689	15,961	-	15,961
Rent income	48,010	-	48,010	47,783	-	47,783
Other income	1,853	-	1,853	-	-	-
Total revenues and other support	1,026,863	240,000	1,266,863	1,750,893	201,000	1,951,893
Net assets released from restriction	200,224	(200,224)	-	50,189	(50,189)	-
Total revenues and other support after release of restrictions	1,227,087	39,776	1,266,863	1,801,082	150,811	1,951,893
EXPENSES						
Program services	770,581	-	770,581	741,374	-	741,374
General and administrative	99,869	-	99,869	111,331	-	111,331
Fundraising	257,357	-	257,357	184,511	-	184,511
Total expenses	1,127,807	-	1,127,807	1,037,216	-	1,037,216
Change in net assets	99,280	39,776	139,056	763,866	150,811	914,677
NET ASSETS at beginning of year	2,391,430	200,811	2,592,241	1,627,564	50,000	1,677,564
NET ASSETS at end of year	$ 2,490,710	$ 240,587	$ 2,731,297	$ 2,391,430	$ 200,811	$ 2,592,241

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Functional Expenses
Years ended March 31, 2006 and 2005

	2006				2005			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	$ -	$ 15,613	$ -	$ 15,613	$ -	$ 19,127	$ -	$ 19,127
Direct litigation expenses	52,446	-	-	52,446	14,194	-	-	14,194
Bank charges	-	2,104	-	2,104	-	3,500	-	3,500
Depreciation	-	10,729	-	10,729	-	10,911	-	10,911
Dues and subscriptions	3,087	224	8,786	12,097	2,890	390	7,796	11,076
Employee benefits	-	47,215	-	47,215	-	37,379	-	37,379
Entertainment	5,727	141	-	5,868	2,077	670	-	2,747
Insurance	11,427	9,872	-	21,299	14,566	6,813	-	21,379
Office supplies	730	3,539	525	4,794	-	5,069	607	5,676
Parking	-	6,332	-	6,332	-	8,306	-	8,306
Payroll taxes	-	34,067	-	34,067	-	37,253	-	37,253
Pension	-	11,220	-	11,220	-	11,385	-	11,385
Photocopying and printing	9,766	2,821	19,203	31,790	18,555	2,659	12,685	33,899
Postage and delivery	6,573	2,283	33,364	42,220	8,508	1,961	15,079	25,548
Professional services	7,210	5,655	10,758	23,623	10,491	6,776	5,128	22,395
Rent and storage	-	215,371	-	215,371	-	211,272	-	211,272
Research	4,795	-	-	4,795	7,561	-	72	7,633
Salaries	397,175	46,724	113,377	557,276	397,613	48,609	87,198	533,420
Telephone	468	7,150	15	7,633	291	7,845	28	8,164
Travel	21,303	12	-	21,315	10,556	1,197	199	11,952
Total expenses before allocation of indirect expenses	520,707	421,072	186,028	1,127,807	487,302	421,122	128,792	1,037,216
Allocation of indirect expenses	249,874	(321,203)	71,329	-	254,072	(309,791)	55,719	-
Total expenses	$ 770,581	$ 99,869	$ 257,357	$ 1,127,807	$ 741,374	$ 111,331	$ 184,511	$ 1,037,216

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Cash Flows
Years ended March 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	$ 1,103,311	$ 1,385,756
Attorneys' fees received	316,100	36,293
Interest and dividends received	72,905	34,573
Rent received	49,787	47,700
Other income received	(10,159)	-
Payments to vendors, suppliers and employees	(1,104,477)	(1,002,553)
NET CASH PROVIDED BY OPERATING ACTIVITIES	427,467	501,769
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,309,887)	(145,670)
Proceeds from sales of investments	1,425,786	175,000
Purchase of property and equipment	(2,204)	(5,528)
NET CASH PROVIDED BY INVESTING ACTIVITIES	113,695	23,802
NET INCREASE IN CASH AND CASH EQUIVALENTS	541,162	525,571
CASH AND CASH EQUIVALENTS at beginning of year	1,219,692	694,121
CASH AND CASH EQUIVALENTS at end of year	$ 1,760,854	$ 1,219,692

	2006	2005
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 139,056	$ 914,677
Adjustments		
Depreciation	10,729	10,911
Net realized and unrealized (gains) losses on investments	(784)	18,612
(Increase) decrease in assets		
Grants receivable	(40,000)	(150,000)
Attorney's fees receivable	316,100	(316,100)
Other receivables	(12,012)	128
Prepaid expenses	(2,524)	(509)
Rent receivable	1,777	(83)
Deposits	(530)	(515)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	13,761	(13,134)
Security deposit	-	-
Accrued rent	1,894	37,782
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 427,467	$ 501,769

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

2. Cash and cash equivalents

Cash and cash equivalents consist of money market funds, money market and auction instruments, and certificates of deposits with initial maturities of three months or less and are not always covered by FDIC insurance.

3. Investments

Investments represent amounts invested in certificates of deposit having initial maturities of more than three months, stocks and bonds. Investments are carried at estimated current value. Investment income, including realized and unrealized gains and losses is included in the statement of activities and changes in net assets as unrestricted unless the income or loss is restricted by donor or law.

4. Grants and other receivables

Management reviews grants and other receivables to determine collectibility. All receivables and grants pledged are deemed fully collectible and will be collected in the next two fiscal years.

5. Property and equipment

Furniture and office equipment are recorded at cost. All expenditures for furniture and equipment over $500 are capitalized.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in income.

6. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Revenues

The Center records contributions and unconditional promises to give as either unrestricted, temporarily restricted, or permanently restricted support depending upon the existence of any donor restrictions. These restrictions include time and purpose restrictions. When restrictions have been satisfied, temporarily restricted net assets are reclassified to unrestricted and reported as net assets released from restriction. When restrictions are met in the same fiscal year in which the contribution is received, the contribution is reported as unrestricted. There are no permanently restricted assets at March 31, 2006 and 2005.

Attorneys' fees, awarded by judgment of the court, are recorded as revenue when the court has set the amount the Center is to receive and a binding obligation to pay has been established.

8. Use of estimates

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

NOTE B - ORGANIZATION AND TAX STATUS

The Center for Individual Rights was incorporated under the District of Columbia Non-Profit Corporation Act in 1988. The Center operates as a public interest law firm for the purpose of providing legal representation on issues of significant public interest in cases, rulemakings, and other proceedings, before federal, state and local courts, regulatory and administrative agencies, boards, bureaus and commissions. It also provides legal representation to individuals who cannot afford competent legal counsel and who were denied their constitutional rights or civil rights. The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. No provision for income tax was required for the years ended March 31, 2006 and 2005. The Center is also exempt from District of Columbia franchise, sales and property taxes.

NOTE C - INVESTMENTS

The fair value of investments as of March 31, 2006 and 2005 is presented below, along with a summary of investment income earned on investments and cash for the year then ended.

	2006	2005
Corporate bonds	$ 44,931	$ 91,072
Government bonds	85,036	131,967
Certificates of deposit	641,237	663,280
	$ 771,204	$ 886,319

NOTE C – INVESTMENTS (continued)

	2006	2005
Investment income (loss):		
Interest and dividends	$ 72,905	$ 34,573
Realized gains/(losses)	(153)	-
Unrealized gains/(losses)	937	(18,612)
	$ 73,689	$ 15,961

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at March 31 consists of the following:

	2006	2005
Furniture, equipment and software	$ 197,676	$ 195,472
Leasehold improvement	23,983	23,983
	221,659	219,455
Less accumulated depreciation and amortization	200,911	190,182
	$ 20,748	$ 29,273

Depreciation expense for the years ended March 31, 2006 and 2005 was $ 10,729 and $10,911, respectively.

NOTE E - NET ASSETS

1. Unrestricted net assets

Unrestricted net assets represent that portion of the Center's net assets not subject to donor-imposed restrictions.

2. Temporarily restricted net assets

Temporarily restricted net assets represent contributions, which are restricted as follows:

	2006	2005
Time restrictions	$ 240,000	$ 200,000
Purpose restrictions	587	811
	$ 240,587	$ 200,811

NOTE F - PENSION PLAN

The Center established a 401(k) plan covering substantially all employees who have completed six months of service (one year for employer matching contributions) and have attained the age of 21. Under the provisions of the Plan, the Center matches 50% of employee contributions up to 6% of salary. Expenses under the plan were $11,220 and $11,385 for the years ended March 31, 2006 and 2005, respectively.

NOTE G - OPERATING LEASE

In November 2003, the Center extended its lease for office space until October 31, 2016. The new lease provides $3,518 rent abatement in each of the first four months beginning December 1, 2003, and $3,589 rent abatement in each of the next fourteen months. The total of rent payments due under the lease is being recognized on a straight-line basis in the statement of activities and changes in net assets. Accordingly, there is a liability recorded for accrued rent equal to the difference between the rent expense charged against income and actual cash payments required under the terms of the lease. The lease requires minimum lease payments and a prorated share of operating expenses and real estate taxes.

The Center subleased space to another organization under a sublease for the period December 2003 through October 2006. The sublease provides one-month rent abatement in the first month of the sublease. The total of rent receipts due under the sublease is being recognized on a straight-line basis in the statement of activities and changes in net assets. Accordingly, there is rent receivable recorded for accrued rent equal to the difference between the rent income and actual cash receipts required under the terms of the sublease.

As of March 31, 2006, the future minimum lease payments and sublease rental receipts are as follows:

Year ending March 31:	Payments	Receipts	Net
2007	$ 232,271	$ 29,807	$ 202,464
2008	246,113	-	246,113
2009	252,259	-	252,259
2010	258,568	-	258,568
2011 and thereafter	1,906,896	-	1,906,896
	$ 2,896,107	$ 29,807	$ 2,866,300

Rent expense for office space for the years ended March 31, 2006 and 2005 was $215,371 and $211,272, respectively. Rental income for office space for the years ended March 31, 2006 and 2005 was $48,010 and $47,783, respectively.