CENTER FOR INDIVIDUAL RIGHTS

Financial Statements
and
Independent Auditor's Report

March 31, 2007 and 2006

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Stokes AND COMPANY

CERTIFIED PUBLIC ACCOUNTS

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANT!

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, 2007 and 2006, 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, 2007 and 2006, 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.

May 30, 2007

CENTER FOR INDIVIDUAL RIGHTS

Statements of Financial Position

March 31, 2007 and 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$1,891,537	$1,760,854
Investments	941,820	771,204
Grants receivable - short term	95,000	145,000
Rent and other receivables	-	14,321
Prepaid expenses	7,895	9,987
Total current assets	2,936,252	2,701,366
PROPERTY AND EQUIPMENT - AT COST		
less accumulated depreciation and amortization		
of $209,309 and $200,911, respectively	19,624	20,748
OTHER ASSETS		
Grants receivable - long term	-	95,000
Deposits	19,166	18,620
Total assets	$2,975,042	$2,835,734
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$28,416	$33,066
Security deposit	-	3,975
Total current liabilities	28,416	37,041
LONG-TERM LIABILITIES		
Security deposit	3,975	-
Accrued rent	75,366	67,396
Total liabilities	107,757	104,437
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	2,771,855	2,490,710
Temporarily restricted	95,430	240,587
Total net assets	2,867,285	2,731,297
	$2,975,042	$2,835,734

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, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restr cted	Total
REVENUES AND OTHER SUPPORT						
Grants and contributions	$1,180,150	$	$1,180,150	$903,311	$240,000	$1,143,311
Attorneys' fees	110,218		110,218	-		
Investment income	138,371		138,371	73,689		73,689
Rent income	52,930		52,930	48,010		48,010
Other income	423		423	1,853		1,853
Total revenues and other support	1,482,092		1,482,092	1,026,863	240,000	1,266,863
Net assets released from restriction	145,157	(145,157)		200,224	(200,224)	
Total revenues and other support after release of restrictions	1,627,249	(145,157)	1,482,092	1,227,087	39,776	1,266,863
EXPENSES						
Program services	976,318		976,318	770,581	-	770,581
General and administrative	119,063		119,063	99,869	-	99,869
Fundraising	250,723		250,723	257,357	-	257,357
Total expenses	1,346,104		1,346,104	1,127,807	-	1,127,807
Change in net assets	281,145	(145,157)	135,988	99,280	39,776	139,056
NET ASSETS at beginning of year	2,490,710	240,587	2,731,297	2,391,430	200,811	2,592,241
NET ASSETS at end of year	$2,771,855	$95,430	$2,867,285	$2,490,710	$240,587	$2,731,297

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Functional Expenses
Years ended March 31, 2007 and 2006

	2007				2006			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	$ -	$15,893	$ -	$15,893	-	$15,613	$ -	$15,613
Direct litigation expenses	19,293	-		19,293	52,446	-		52,446
Bank charges	-	2,925	-	2,925	-	2,104	-	2,104
Depreciation	-	8,398	-	8,398	-	10,729	-	10,729
Dues and subscriptions	4,502	200	9,654	14,356	3,087	224	8,786	12,097
Employee benefits	-	54,012	-	54,012	-	47,215	-	47,215
Entertainment	2,883	1,776	24	4,683	5,727	141	-	5,868
Insurance	14,790	6,429	-	21,219	11427	9,872	-	21,299
Office supplies	-	4,211	-	4,211	730	3,539	525	4,794
Parking	-	5,356	-	5,356	-	6,332	-	6,332
Payroll taxes	-	36,122	-	36,122	-	34,067	-	34,067
Pension	-	13,987	-	13,987	-	11,220	-	11,220
Photocopying and printing	16,239	2,173	26,311	44,723	9,766	2,821	19,203	31,790
Postage and delivery	10,140	2,936	46,057	59,133	6,573	2,283	33,364	42,220
Professionail Services	133,847	13,858	11,133	158,838	7,210	5,655	10,758	23,523
Rent and storage	-	247,509	-	247,509	-	215,371	-	215,371
Research	5,245	-		5,245	4,795	-		4,795
Salaries	458,189	50,846	95,957	604,992	397,175	46,724	113,377	557,296
Telephone	676	7,096	11	7,783	468	7,150	15	7,633
Travel	16,490	936	-	17,426	21,303	12	-	21,315
Total expenses before allocation of indirect expenses	682,294	474,663	189,147	1,346,104	520,707	421,072	186,028	1,127,807
Allocation of indirect expenses	294,024	(355,600)	61,576	-	249,874	(321,203)	71,329	-
Total expenses	$976,318	$119,063	$250,723	$1,346,104	770,581	$99,869	$257,357	$1,127,807

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Cash Flows
Years ended March 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	$1,325,150	$1,103,311
Attorneys' fees received	110,218	316,100
Interest and dividends received	128,707	72,905
Rent received	55,239	49,787
Other income received	12,435	(10,159)
Payments to vendors, suppliers and employees	(1,332,840)	(1,104,477)
NET CASH PROVIDED BY OPERATING ACTIVITIES	298,909	427,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,943,037)	(1,309,887)
Proceeds from sales of investments	1,782,085	1,425,786
Purchase of property and equipment	(7,274)	(2,204)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(168,226)	113,695
NET INCREASE IN CASH AND CASH EQUIVALENTS	130,683	541,162
CASH AND CASH EQUIVALENTS at beginning of year	1,760,854	1,219,692
CASH AND CASH EQUIVALENTS at end of year	$1,891,537	$1,760,854

	2007	2006
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$135,988	$139,056
Adjustments		
Depreciation	8,398	10,729
Net realized and unrealized gains on investments	(9,664)	(784)
(Increase) decrease in assets		
Grants receivable	145,000	(40,000)
Attorney's fees receivable	-	316,100
Other receivables	12,012	(12,012)
Prepaid expenses	2,092	(2,524)
Rent receivable	2,309	1,777
Deposits	(546)	(530)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,650)	13,761
Security deposit	-	-
Accrued rent	7,970	1,894
NET CASH PROVIDED BY OPERATING ACTIVITIES	$298,909	$427,467

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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 fiscal year.

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, 2007 and 2006.

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, 2007 and 2006. 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, 2007 and 2006 is presented below, along with a summary of investment income earned on investments and cash for the year then ended.

	2007	2006
Corporate bonds	$ -	$ 44,931
Government bonds	-	85,036
Certificates of deposit	941 820	641.237
	$ 941,820	$ 771.204

NOTE C - INVESTMENTS (continued)

Investment income (loss):	2007	2006
Interest and dividends	$ 128,707	$ 72,905
Realized losses	(5)	(153)
Unrealized gains	9,669	937
	138 371	73 689

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at March 31 consists of the following:

	2007	2006
Furniture, equipment and software	$204,950	$ 197,676
Leasehold improvement	23 983	23 983
	228,933	221,659
Less accumulated depreciation and amortization	209 309	200,911
	19,624	$ 20,748

Depreciation expense for the years ended March 31, 2007 and 2006 was $ 8,398 and $10,729, 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:

	2007	2006
Time restrictions	$95,000	$240,000
Purpose restrictions	430	587
	95,430	$ 240,587

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 $13,987 and $11,220 for the years ended March 31, 2007 and 2006, 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 lease also provides the center with an improvement allowance of up to $33,830. To date none of the allowance has been utilized.

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 was a 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. The sublease was extended from November 2006 to May 10, 2008. This extension calls for a straight monthly payment eliminating the need to record a rent receivable.

As of March 31, 2007, the future minimum lease payments and sublease rental receipts are as follows:

Year ending March 31:	Payments	Receipts	Net
2008	$ 246,113	$60,000	$ 186,113
2009	252,259	7,500	244,759
2010	258,568	-	258,568
2011	265,053	-	265,053
2012 and thereafter	1,641,843	-	1,641,843
	$2,663,836	$67,500	$2,596,336

Rent expense for office space for the years ended March 31, 2007 and 2006 was $247,509 and $215,371, respectively. Rental income for office space for the years ended March 31, 2007 and 2006 was $52,930 and $48,010, respectively.