CENTER FOR INDIVIDUAL RIGHTS

Financial Statements
and
Independent Auditor's Report

March 31, 2009 and 2008

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CERTIFIED PUBLIC ACCOUNTANTS

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PRIVATE COMPANIES
PRACTICE SECTION

GOVERNMENTAL AUDIT
QUALITY CENTER

EMPLOYEE BENEFIT PLAN
AUDIT QUALITY CENTER

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, 2009 and 2008, 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 audit 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, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and 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.

June 23, 2009

CENTER FOR INDIVIDUAL RIGHTS
Statements of Financial Position
March 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 417,623	$ 704,395
Investments	2,617,132	2,417,374
Grants receivable	25,000	95,000
Accounts receivable	-	292
Prepaid expenses	37,153	31,755
Total current assets	3,096,908	3,248,816
PROPERTY AND EQUIPMENT - AT COST less accumulated depreciation and amortization of $189,888 and $182,930, respectively	7,701	11,723
OTHER ASSETS		
Deposits	20,309	19,729
Total assets	$ 3,124,918	$ 3,280,268
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 26,754	$ 117,021
Deferred revenue	5,101	-
Security deposit	5,101	3,975
Total current liabilities	36,956	120,996
LONG-TERM LIABILITIES		
Accrued rent	117,196	99,354
Total liabilities	154,152	220,350
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	2,935,361	2,964,513
Temporarily restricted	35,405	95,405
Total net assets	2,970,766	3,059,918
	$ 3,124,918	$ 3,280,268

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, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Grants and contributions	$ 952,929	$ 35,000	$ 987,929	$ 990,459	$ -	$ 990,459
Attorneys' fees	23,280	-	23,280	197,739	-	197,739
Investment income	148,534	-	148,534	153,209	-	153,209
Rent income	57,855	-	57,855	60,000	-	60,000
Other income	-	-	-	-	-	-
Total revenues and other support	1,182,598	35,000	1,217,598	1,401,407	-	1,401,407
Net assets released from restriction	95,000	(95,000)	-	25	(25)	-
Total revenues and other support after release of restrictions	1,277,598	(60,000)	1,217,598	1,401,432	(25)	1,401,407
EXPENSES						
Program services	989,623	-	989,623	939,548	-	939,548
General and administrative	126,305	-	126,305	118,174	-	118,174
Fundraising	190,822	-	190,822	151,052	-	151,052
Total expenses	1,306,750	-	1,306,750	1,208,774	-	1,208,774
Change in net assets	(29,152)	(60,000)	(89,152)	192,658	(25)	192,633
NET ASSETS at beginning of year	2,964,513	95,405	3,059,918	2,771,855	95,430	2,867,285
NET ASSETS at end of year	$ 2,935,361	$ 35,405	$ 2,970,766	$ 2,964,513	$ 95,405	$ 3,059,918

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Functional Expenses
Years ended March 31, 2009 and 2008

	2009				2008			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	$ -	$ 16,322	$ -	$ 16,322	$ -	$ 16,104	$ -	$ 16,104
Direct litigation expenses	5,136	-	-	5,136	16,850	-	490	17,340
Bank charges	-	1,700	-	1,700	-	2,049	-	2,049
Depreciation	5,410	606	942	6,958	-	7,901	-	7,901
Dues and subscriptions	4,635	-	8,410	13,045	5,798	669	3,980	10,447
Employee benefits	45,560	5,108	7,930	58,598	-	50,328	-	50,328
Entertainment	5,335	35	115	5,485	2,271	539	-	2,810
Insurance	19,020	557	865	20,442	14,219	6,640	-	20,859
Miscellaneous	-	115	-	115	-	-	-	-
Office supplies	4,473	450	1,034	5,957	-	2,892	120	3,012
Parking	6,383	715	1,111	8,209	-	4,394	-	4,394
Payroll taxes	34,114	3,825	5,938	43,877	-	32,819	-	32,819
Pension	15,285	1,714	2,661	19,660	-	83,863	-	83,863
Photocopying and printing	15,292	256	9,152	24,700	9,808	1,797	9,425	21,030
Postage and delivery	8,336	154	10,162	18,652	5,668	2,800	8,934	17,402
Professional services	3,782	5,277	3,518	12,577	19,246	8,843	8,523	36,612
Rent and storage	228,433	25,611	39,762	293,806	-	277,860	-	277,860
Research	7,934	-	303	8,237	5,799	-	-	5,799
Salaries	560,808	62,875	97,618	721,301	461,591	50,561	65,211	577,363
Telephone	6,478	702	1,090	8,270	259	7,322	1	7,582
Travel	13,209	283	211	13,703	13,195	5	-	13,200
Total expenses before allocation of indirect expenses	989,623	126,305	190,822	1,306,750	554,704	557,386	96,684	1,208,774
Allocation of indirect expenses	-	-	-	-	384,844	(439,212)	54,368	-
Total expenses	$ 989,623	$ 126,305	$ 190,822	$ 1,306,750	$ 939,548	$ 118,174	$ 151,052	$ 1,208,774

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Cash Flows
Years ended March 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	$ 1,057,929	$ 990,459
Attorneys' fees received	23,280	197,739
Interest and dividends received	108,803	146,892
Rent received	62,956	60,000
Other income	292	(292)
Payments to vendors, suppliers and employees	(1,377,069)	(1,112,703)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	(123,809)	282,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,578,585)	(2,519,922)
Proceeds from sales of investments	2,418,558	1,050,685
Purchase of property and equipment	(2,936)	-
NET CASH USED BY INVESTING ACTIVITIES	(162,963)	(1,469,237)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(286,772)	(1,187,142)
CASH AND CASH EQUIVALENTS at beginning of year	704,395	1,891,537
CASH AND CASH EQUIVALENTS at end of year	$ 417,623	$ 704,395
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	$ (89,152)	$ 192,633
Adjustments		
Depreciation	6,958	7,901
Net realized and unrealized gains on investments	(39,731)	(6,317)
(Increase) decrease in assets		
Grants receivable	70,000	-
Accounts receivable	292	(292)
Prepaid expenses	(5,398)	(23,860)
Deposits	(580)	(563)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(90,267)	88,605
Deferred revenue	5,101	-
Security deposit	1,126	-
Accrued rent	17,842	23,988
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	$ (123,809)	$ 282,095

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 and certificates of deposits with initial maturities of three months or less and are not always covered by FDIC insurance.

3. Investments

Investments are carried at fair market value, when that value is readily determinable or when the fair value option is elected, as specified in Note A9. Investments represent amounts invested in certificates of deposit having initial maturities of more than three months. 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. This year, management has decided to change the manner in which the allocation of indirect expenses is handled. For fiscal year ended March 31, 2009, indirect expenses are allocated to each class of expenses in the statement of functional expenses as opposed to a lump sum as in prior years.

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, 2009 and 2008.

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.

9. Fair value measurements

SFAS No. 157, *Fair Value Measurement*, became effective January 1, 2008. This statement provides a common definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements, but does not require any new fair value measurements. All assets and liabilities required to be measured at fair value are assessed with the following three-tier hierarchy of inputs:

Level 1 – quoted prices in active markets for identical instruments
Level 2 – other significant observable inputs
Level 3 – significant unobservable inputs

Additionally, SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, allows certain financial assets and liabilities to be reported at fair value.

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, 2009 and 2008. 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, 2009 and 2008 is presented below, along with a summary of investment income earned on investments and cash for the year then ended.

	2009	2008
ARS - corporate bonds	$ -	$ 125,000
ARS - government bonds	-	1,300,000
ARS - money market and auction instruments	-	25,000
Certificates of deposit	2,617,132	967,374
	$ 2,617,132	$ 2,417,374
Investment income (loss):		
Interest and dividends	$ 108,803	$ 146,892
Realized losses	(27)	(238)
Unrealized gains	39,758	6,555
	$ 148,534	$ 153,209

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at March 31 consists of the following:

	2009	2008
Furniture, equipment and software	$ 173,606	$ 170,670
Leasehold improvements	23,983	23,983
	197,589	194,653
Less accumulated depreciation and amortization	189,888	182,930
	$ 7,701	$ 11,723

Depreciation expense for the years ended March 31, 2009 and 2008 was $ 6,958 and $7,901, 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:

	2009	2008
Time restrictions	$ 25,000	$ 95,000
Purpose restrictions	10,405	405
	$ 35,405	$ 95,405

NOTE F - PENSION PLAN

In 2008, the Center amended and restated its combination 401(k) and profit sharing plan to cover substantially all employees who have completed one year of service and have attained the age of 21. Under the 401(k) provisions of the plan, eligible employees may elect to contribute to the plan a portion of their compensation which would otherwise have been paid in cash, up to the applicable limit specified in the Internal Revenue Code. In addition, the Center may elect each year to make a matching contribution of a specified percentage of an employee's elective contribution or a safe-harbor non-elective contribution of 3% of each participant's compensation. Expenses under the plan were $19,660 and $15,569 for the years ended March 31, 2009 and 2008, respectively.

Under the profit sharing component of the plan, the Center will determine each year whether to contribute an additional amount (if any), to substantially all employees who have completed a year of service. Employees are neither required nor allowed to make contributions to the profit sharing component of the plan. The Center bears the entire cost of profit sharing contributions. Expenses for the plan were $0 and $68,294 for the years ended March 31, 2009 and 2008, 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.

NOTE G - OPERATING LEASE (continued)

The Center subleased space to another organization under a sublease for the period December 2003 through October 2007. 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 2007 to December 31, 2008.

A new sublease was entered into with a different subtenant starting January 2009 through December 2009. This new lease calls for a straight monthly payment eliminating the need to record a rent receivable.

As of March 31, 2009, the future minimum lease payments are as follows:

Year ending March 31:	Payments
2010	$ 258,568
2011	265,053
2012	274,519
2013	285,345
2014 and thereafter	1,081,979
	$ 2,165,464

Rent expense for office space for the years ended March 31, 2009 and 2008 was $293,806 and $277,860, respectively. Rental income for office space for the years ended March 31, 2009 and 2008 was $57,855 and $60,000, respectively.

NOTE H – FAIR VALUE MEASUREMENTS

All investments are level 1 as current values of certificates of deposits are estimates based on quoted market prices as provided by the custodians for the portfolios.