CENTER FOR INDIVIDUAL RIGHTS

Financial Statements
and
Independent Auditor's Report

March 31, 2010 and 2009

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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 (CIR) as of March 31, 2010 and 2009, 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, 2010 and 2009, 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 8, 2010

CENTER FOR INDIVIDUAL RIGHTS
Statements of Financial Position
March 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 207,170	$ 417,623
Investments	2,514,294	2,617,132
Grants receivable	55,000	25,000
Prepaid expenses	34,984	37,153
Total current assets	2,811,448	3,096,908
PROPERTY AND EQUIPMENT - AT COST less accumulated depreciation and amortization of $195,616 and $189,888, respectively	10,610	7,701
OTHER ASSETS		
Deposits	20,906	20,309
Total assets	$ 2,842,964	$ 3,124,918
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 38,533	$ 26,754
Deferred revenue	-	5,101
Security deposit	-	5,101
Total current liabilities	38,533	36,956
LONG-TERM LIABILITIES		
Accrued rent	128,729	117,196
Total liabilities	167,262	154,152
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	2,597,793	2,935,361
Temporarily restricted	77,909	35,405
Total net assets	2,675,702	2,970,766
	$ 2,842,964	$ 3,124,918

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, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Grants and contributions	$ 1,461,290	$ 77,504	$ 1,538,794	$ 952,929	$ 35,000	$ 987,929
Attorneys' fees	500	-	500	23,280	-	23,280
Investment income	88,061	-	88,061	148,534	-	148,534
Rent income	47,237	-	47,237	57,855	-	57,855
Other income	241	-	241	-	-	-
Total revenues and other support	1,597,329	77,504	1,674,833	1,182,598	35,000	1,217,598
Net assets released from restriction	35,000	(35,000)	-	95,000	(95,000)	-
Total revenues and other support after release of restrictions	1,632,329	42,504	1,674,833	1,277,598	(60,000)	1,217,598
EXPENSES						
Program services	1,604,017	-	1,604,017	989,623	-	989,623
General and administrative	129,740	-	129,740	126,305	-	126,305
Fundraising	236,140	-	236,140	190,822	-	190,822
Total expenses	1,969,897	-	1,969,897	1,306,750	-	1,306,750
Change in net assets	(337,568)	42,504	(295,064)	(29,152)	(60,000)	(89,152)
NET ASSETS at beginning of year	2,935,361	35,405	2,970,766	2,964,513	95,405	3,059,918
NET ASSETS at end of year	$ 2,597,793	$ 77,909	$ 2,675,702	$ 2,935,361	$ 35,405	$ 2,970,766

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Functional Expenses
Years ended March 31, 2010 and 2009

	2010				2009			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	$ -	$ 16,752	$ -	$ 16,752	$ -	$ 16,322	$ -	$ 16,322
Direct litigation expenses	560,677	-	-	560,677	5,136	-	-	5,136
Bank charges	-	1,614	-	1,614	-	1,700	-	1,700
Depreciation	4,299	464	966	5,729	5,410	606	942	6,958
Dues and subscriptions	4,800	-	9,975	14,775	4,635	-	8,410	13,045
Employee benefits	47,395	5,121	10,651	63,167	45,560	5,108	7,930	58,598
Entertainment	2,816	-	-	2,816	5,335	35	115	5,485
Insurance	19,101	604	1,257	20,962	19,020	557	865	20,442
Miscellaneous	-	-	-	-	-	115	-	115
Office supplies	6,459	543	1,180	8,182	4,473	450	1,034	5,957
Parking	5,445	588	1,224	7,257	6,383	715	1,111	8,209
Payroll taxes	33,139	3,580	7,447	44,166	34,114	3,825	5,938	43,877
Pension	21,998	2,377	4,943	29,318	15,285	1,714	2,661	19,660
Photocopying and printing	29,653	197	5,896	35,746	15,292	256	9,152	24,700
Postage and delivery	7,029	79	8,362	15,470	8,336	154	10,162	18,652
Professional services	16,308	4,009	2,238	22,555	3,782	5,277	3,518	12,577
Rent and storage	224,295	24,233	50,405	298,933	228,433	25,611	39,762	293,806
Research	10,829	6,269	-	17,098	7,934	-	303	8,237
Salaries	578,484	62,500	130,000	770,984	560,808	62,875	97,618	721,301
Taxes - other	-	75	-	75	-	-	-	-
Telephone	7,235	735	1,530	9,500	6,478	702	1,090	8,270
Travel	24,055	-	66	24,121	13,209	283	211	13,703
Total expenses	$ 1,604,017	$ 129,740	$ 236,140	$ 1,969,897	$ 989,623	$ 126,305	$ 190,822	$ 1,306,750

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Cash Flows
Years ended March 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	$ 1,508,794	$ 1,057,929
Attorneys' fees received	500	23,280
Interest and dividends received	94,575	108,803
Rent received	42,136	62,956
Other income	241	292
Payments to vendors, suppliers and employees	(1,943,789)	(1,377,069)
NET CASH USED BY OPERATING ACTIVITIES	(297,543)	(123,809)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(392,940)	(2,578,585)
Proceeds from sales of investments	488,667	2,418,558
Purchase of property and equipment	(8,637)	(2,936)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	87,090	(162,963)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(210,453)	(286,772)
CASH AND CASH EQUIVALENTS at beginning of year	417,623	704,395
CASH AND CASH EQUIVALENTS at end of year	$ 207,170	$ 417,623

	2010	2009
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in net assets	$ (295,064)	$ (89,152)
Adjustments		
Depreciation	5,728	6,958
Net realized and unrealized (gains)/losses on investments	7,111	(39,731)
(Increase) decrease in assets		
Grants receivable	(30,000)	70,000
Accounts receivable	-	292
Prepaid expenses	2,169	(5,398)
Deposits	(597)	(580)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	11,779	(90,267)
Deferred revenue	(5,101)	5,101
Security deposit	(5,101)	1,126
Accrued rent	11,533	17,842
NET CASH USED BY OPERATING ACTIVITIES	$ (297,543)	$ (123,809)

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 accounting principles generally accepted in the United States of America in relation to net asset classification. 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 checking and savings accounts, money market funds and certificates of deposits with initial maturities of three months or less.

CIR maintains cash in accounts that are covered by the Federal Deposit Insurance Corporation (FDIC) and occasionally the balance in those accounts may exceed the FDIC insurance limit of $250,000. As of March 31, 2010, no balances exceeded the FDIC insurance limit. CIR has never experienced any losses as a result of exceeding the limit.

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. No interest is accrued on receivables. 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, 2010 and 2009.

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

Accounting principles generally accepted in the United States of America provide a common definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements, but do 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, accounting principles generally accepted in the United States of America in relation to fair value allow 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, 2010 and 2009. The Center is also exempt from District of Columbia franchise, sales and property taxes.

NOTE B - ORGANIZATION AND TAX STATUS (continued)

The Center has adopted a new accounting policy required under U.S. generally accepted accounting principles, *Accounting for Uncertainty in Income Taxes,* for the year ended March 31, 2010 that requires that uncertain tax positions be evaluated and the potential impact of an unfavorable outcome of a tax authority's assessment of such uncertain tax position be reflected in the financial statements. From time to time, management must assess the need to accrue or disclose a possible loss contingency for proposed adjustments from various federal and state tax authorities who may audit the organization in the normal course of business. The Center has evaluated its tax reporting and has not reflected any contingent liability for any such potential assessment.

In the event there were any proposed adjustments, any associated penalties and interest would be separately reported. The organization is no longer subject to examinations by relevant tax authorities for years prior to 2006.

NOTE C - INVESTMENTS

The fair value of investments as of March 31, 2010 and 2009 is presented below, along with a summary of investment income earned on investments and cash for the years then ended.

	2010	2009
Certificates of deposit	$ 2,514,294	$ 2,617,132
Investment income (loss):		
Interest and dividends	$ 95,172	$ 108,803
Realized losses	(273)	(27)
Unrealized gains/(losses)	(6,838)	39,758
	$ 88,061	$ 148,534

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at March 31 consists of the following:

	2010	2009
Furniture, equipment and software	$ 182,243	$ 173,606
Leasehold improvements	23,983	23,983
	206,226	197,589
Less accumulated depreciation and amortization	195,616	189,888
	$ 10,610	$ 7,701

Depreciation expense for the years ended March 31, 2010 and 2009 was $5,728 and $6,958, 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:

	2010	2009
Time restrictions	$ 55,000	$ 25,000
Purpose restrictions	22,909	10,405
	$ 77,909	$ 35,405

NOTE F - PENSION PLAN

In 2009, the Center merged 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 $29,318 and $19,600 for the years ended March 31, 2010 and 2009, 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. There were no plan expenses for the years ended March 31, 2010 and 2009, 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, 2010, the future minimum lease payments are as follows:

Year ending March 31:	Payments
2011	$ 265,053
2012	274,519
2013	285,345
2014	293,069
2015 and thereafter	788,910
	$ 1,906,896

Rent expense for office space for the years ended March 31, 2010 and 2009 was $298,933 and $293,806, respectively. Rental income for office space for the years ended March 31, 2010 and 2009 was $47,236 and $57,855, respectively.

NOTE H – FAIR VALUE MEASUREMENTS

All investments are Level 1 as current values of certificates of deposits are reported at fair market value based on quoted market prices as provided by the custodians for the portfolios.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated though June 8, 2010.