

**CENTER FOR INDIVIDUAL RIGHTS**

**Financial Statements  
and  
Independent Auditor's Report**

**March 31, 2011 and 2010**

## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12

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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, 2011 and 2010, 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, 2011 and 2010, 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.  
Washington, D.C.

July 14, 2011

CENTER FOR INDIVIDUAL RIGHTS  
 Statements of Financial Position  
 March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<i>ASSETS</i>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,385,423	\$ 207,170
Investments	-	2,514,294
Grants receivable	55,000	55,000
Prepaid expenses	<u>34,740</u>	<u>34,984</u>
Total current assets	2,475,163	2,811,448
PROPERTY AND EQUIPMENT - AT COST		
less accumulated depreciation and amortization of \$200,644 and \$195,616, respectively	7,161	10,610
OTHER ASSETS		
Deposits	<u>21,521</u>	<u>20,906</u>
Total assets	<u>\$ 2,503,845</u>	<u>\$ 2,842,964</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 32,693	\$ 38,533
Deferred revenue	<u>4,638</u>	<u>-</u>
Total current liabilities	37,331	38,533
LONG-TERM LIABILITIES		
Security deposit	4,638	-
Accrued rent	<u>133,778</u>	<u>128,729</u>
Total liabilities	<u>175,747</u>	<u>167,262</u>
COMMITMENTS AND CONTINGENCIES		
	-	-
NET ASSETS		
Unrestricted	2,272,693	2,597,793
Temporarily restricted	<u>55,405</u>	<u>77,909</u>
Total net assets	<u>2,328,098</u>	<u>2,675,702</u>
	<u>\$ 2,503,845</u>	<u>\$ 2,842,964</u>

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, 2011 and 2010**

	2011		2010	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
		<u>Total</u>		<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Grants and contributions	\$ 1,020,166	\$ 55,000	\$ 1,075,166	\$ 77,504
Attorneys' fees	104,838	-	104,838	-
Investment income	10,146	-	10,146	-
Rent income	13,913	-	13,913	-
Other income	382	-	382	-
Total revenues and other support	1,149,445	55,000	1,204,445	77,504
Net assets released from restriction	77,504	(77,504)	-	(35,000)
Total revenues and other support after release of restrictions	1,226,949	(22,504)	1,204,445	42,504
<b>EXPENSES</b>				
Program services	1,160,610	-	1,160,610	-
General and administrative	141,228	-	141,228	-
Fundraising	250,211	-	250,211	-
Total expenses	1,552,049	-	1,552,049	-
Change in net assets	(325,100)	(22,504)	(347,604)	42,504
NET ASSETS at beginning of year	2,597,793	77,909	2,675,702	35,405
NET ASSETS at end of year	\$ 2,272,693	\$ 55,405	\$ 2,328,098	\$ 77,909

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

CENTER FOR INDIVIDUAL RIGHTS  
 Statements of Functional Expenses  
 Years ended March 31, 2011 and 2010

	2011			2010				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ -	\$ 16,612	\$ -	\$ 16,612	\$ -	\$ 16,752	\$ -	\$ 16,752
Bank charges	-	2,100	-	2,100	-	1,614	-	1,614
Depreciation	3,834	340	854	5,028	4,299	464	966	5,729
Direct litigation expenses	182,889	-	-	182,889	560,677	-	-	560,677
Dues and subscriptions	4,568	35	9,253	13,856	4,800	-	9,975	14,775
Employee benefits	56,012	4,964	12,466	73,442	47,395	5,121	10,651	63,167
Entertainment	3,428	908	-	4,336	2,816	-	-	2,816
Insurance	19,174	516	1,297	20,987	19,101	604	1,257	20,962
Office supplies	3,757	317	797	4,871	6,459	543	1,180	8,182
Parking	5,057	448	1,125	6,630	5,445	588	1,224	7,257
Payroll taxes	32,098	2,845	7,144	42,087	33,139	3,580	7,447	44,166
Pension	20,825	1,846	4,635	27,306	21,998	2,377	4,943	29,318
Photocopying and printing	13,037	140	14,855	28,032	29,653	197	5,896	35,746
Postage and delivery	14,034	122	21,749	35,905	7,029	79	8,362	15,470
Professional services	5,210	5,085	5,056	15,351	16,308	4,009	2,238	22,555
Rent and storage	218,627	19,377	48,659	286,663	224,295	24,233	50,405	298,933
Research	12	8,478	-	8,490	10,829	6,269	-	17,098
Salaries	542,456	48,078	120,732	711,266	578,484	62,500	130,000	770,984
Sublease expenses	-	27,402	-	27,402	-	-	-	-
Taxes - other	-	-	-	-	-	75	-	75
Telephone	7,513	632	1,589	9,734	7,235	735	1,530	9,500
Travel	28,079	983	-	29,062	24,055	-	66	24,121
<b>Total expenses</b>	<b>\$ 1,160,610</b>	<b>\$ 141,228</b>	<b>\$ 250,211</b>	<b>\$ 1,552,049</b>	<b>\$ 1,604,017</b>	<b>\$ 129,740</b>	<b>\$ 236,140</b>	<b>\$ 1,969,897</b>

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

CENTER FOR INDIVIDUAL RIGHTS  
 Statements of Cash Flows  
 Years ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants and contributions received	\$ 1,075,166	\$ 1,508,794
Attorneys' fees received	104,838	500
Interest and dividends received	44,680	94,575
Rent income received	18,551	42,136
Other income	382	241
Payments to vendors, suppliers and employees	<u>(1,542,930)</u>	<u>(1,943,789)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(299,313)</u>	<u>(297,543)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6,593)	(392,940)
Proceeds from sales of investments	2,485,738	488,667
Purchase of property and equipment	<u>(1,579)</u>	<u>(8,637)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>2,477,566</u>	<u>87,090</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>2,178,253</u>	<u>(210,453)</u>
<b>CASH AND CASH EQUIVALENTS at beginning of year</b>	<u>207,170</u>	<u>417,623</u>
<b>CASH AND CASH EQUIVALENTS at end of year</b>	<u>\$ 2,385,423</u>	<u>\$ 207,170</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (347,604)	\$ (295,064)
Adjustments		
Depreciation	5,028	5,728
Net realized and unrealized (gains)/losses on investments	35,149	7,111
(Increase) decrease in assets		
Grants receivable	-	(30,000)
Prepaid expenses	244	2,169
Deposits	(615)	(597)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(5,840)	11,779
Deferred revenue	4,638	(5,101)
Security deposit	4,638	(5,101)
Accrued rent	<u>5,049</u>	<u>11,533</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (299,313)</u>	<u>\$ (297,543)</u>

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.

Operating funds are held by one financial institution and are insured 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, 2011, CIR held \$23,694 in excess of the FDIC insurance limit. CIR also maintains funds in money market accounts held at another financial institution where funds are insured by the Securities Investor Protection Corporation (SIPC) whose insurance limit is \$100,000 for cash accounts. As of March 31, 2011, CIR held \$2,036,018 in excess of the SIPC insurance limit. CIR has never experienced any losses as a result of exceeding the insurance limits.

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.



NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2011 and 2010.

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, 2011 and 2010. The Center is also exempt from District of Columbia franchise, sales and property taxes.

In 2010, the Center adopted a new accounting policy required under U.S. generally accepted accounting principles, *Accounting for Uncertainty in Income Taxes*, that required 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 2007.

NOTE C - INVESTMENTS

The fair value of investments as of March 31, 2011 and 2010 is presented below, along with a summary of investment income earned on investments and cash for the years then ended.

	<u>2011</u>	<u>2010</u>
Certificates of deposit	<u>\$ -</u>	<u>\$2,514,294</u>
<u>Investment income (loss):</u>		
Interest and dividends	\$ 45,295	\$ 95,172
Realized gains/(losses)	1,145	(273)
Unrealized gains/(losses)	<u>(36,294)</u>	<u>(6,838)</u>
	<u>\$ 10,146</u>	<u>\$ 88,061</u>

CENTER FOR INDIVIDUAL RIGHTS  
Notes to Financial Statements (continued)  
March 31, 2011 and 2010

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at March 31 consists of the following:

	<u>2011</u>	<u>2010</u>
Furniture, equipment and software	\$ 183,822	\$ 182,243
Leasehold improvements	<u>23,983</u>	<u>23,983</u>
	207,805	206,226
Less accumulated depreciation and amortization	<u>200,644</u>	<u>195,616</u>
	<u>\$ 7,161</u>	<u>\$ 10,610</u>

Depreciation expense for the years ended March 31, 2011 and 2010 was \$5,028 and \$5,728, 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:

	<u>2011</u>	<u>2010</u>
Time restrictions	\$ 55,000	\$ 55,000
Purpose restrictions	<u>405</u>	<u>22,909</u>
	<u>\$ 55,405</u>	<u>\$ 77,909</u>

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 \$27,306 and \$29,318 for the years ended March 31, 2011 and 2010, 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, 2011 and 2010, respectively.

CENTER FOR INDIVIDUAL RIGHTS  
Notes to Financial Statements (continued)  
March 31, 2011 and 2010

NOTE G - OPERATING LEASE

In November 2003, the Center extended its lease for office space until October 31, 2016. The 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.

CIR entered into a new sublease contract with a different subtenant beginning December 2010 through September 2016. The subtenant made a security deposit of \$4,638 at the commencement of the lease in accordance with the sublease contract. Monthly rent payments are made to CIR according to predetermined annual amounts as defined in the contract. The sublease also provides the subtenant with an improvement allotment of up to \$27,948, which is a portion of the allowance granted to CIR in its operating lease.

As of March 31, 2011, the future minimum lease payments and sublease rental receipts are as follows:

Year ending March 31:	<u>Payments</u>	<u>Receipts</u>	<u>Net</u>
2012	\$ 274,519	\$ 56,114	\$ 218,405
2013	285,345	57,517	227,828
2014	293,069	58,954	234,115
2015	299,790	60,428	239,362
2016 and thereafter	<u>489,120</u>	<u>93,421</u>	<u>395,699</u>
	<u>\$1,641,843</u>	<u>\$326,434</u>	<u>\$1,315,409</u>

Rent expense for office space for the years ended March 31, 2011 and 2010 was \$286,663 and \$298,933, respectively. Rental income for office space for the years ended March 31, 2011 and 2010 was \$13,913 and \$47,236, respectively.

NOTE H - FAIR VALUE MEASUREMENTS

All assets, liabilities and investments are Level 1 as all 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 through July 14, 2011. This is the date that the financial statements were available to be issued.