CENTER FOR INDIVIDUAL RIGHTS

Financial Statements
and
Independent Auditor's Report

March 31, 2012 and 2011

CONTENTS

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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, 2012 and 2011, 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, 2012 and 2011, 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.
Washington, D.C.

June 19, 2012

CENTER FOR INDIVIDUAL RIGHTS
Statements of Financial Position
March 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,080,581	$ 2,385,423
Investments	500,060	-
Grants receivable	-	55,000
Contribution receivable	150,000	-
Accounts receivable	464	-
Prepaid expenses	37,542	34,740
Total current assets	2,768,647	2,475,163
PROPERTY AND EQUIPMENT - AT COST less accumulated depreciation and amortization of $190,080 and $205,644, respectively	5,526	7,161
OTHER ASSETS		
Deposits	22,154	21,521
Total assets	$ 2,796,327	$ 2,503,845
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 250,440	$ 32,693
Deferred revenue	4,638	4,638
Total current liabilities	255,078	37,331
LONG-TERM LIABILITIES		
Security deposit	4,638	4,638
Accrued rent	129,359	133,778
Total liabilities	389,075	175,747
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	2,256,847	2,272,693
Temporarily restricted	150,405	55,405
Total net assets	2,407,252	2,328,098
	$ 2,796,327	$ 2,503,845

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, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Grants and contributions	$ 1,610,492	$ 150,000	$ 1,760,492	$ 1,020,166	$ 55,000	$ 1,075,166
Attorneys' fees	4,255	-	4,255	104,838	-	104,838
Investment income	1,014	-	1,014	10,146	-	10,146
Rent income	56,114	-	56,114	13,913	-	13,913
Other income	-	-	-	382	-	382
Total revenues and other support	1,671,875	150,000	1,821,875	1,149,445	55,000	1,204,445
Net assets released from restriction	55,000	(55,000)	-	77,504	(77,504)	-
Total revenues and other support after release of restrictions	1,726,875	95,000	1,821,875	1,226,949	(22,504)	1,204,445
EXPENSES						
Program services	1,403,131	-	1,403,131	1,160,610	-	1,160,610
General and administrative	104,840	-	104,840	141,228	-	141,228
Fundraising	234,750	-	234,750	250,211	-	250,211
Total expenses	1,742,721	-	1,742,721	1,552,049	-	1,552,049
Change in net assets	(15,846)	95,000	79,154	(325,100)	(22,504)	(347,604)
NET ASSETS at beginning of year	2,272,693	55,405	2,328,098	2,597,793	77,909	2,675,702
NET ASSETS at end of year	$ 2,256,847	$ 150,405	$ 2,407,252	$ 2,272,693	$ 55,405	$ 2,328,098

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Functional Expenses
Years ended March 31, 2012 and 2011

	2012				2011			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	$ -	$ 16,072	$ -	$ 16,072	$ -	$ 16,612	$ -	$ 16,612
Bank charges	-	2,406	-	2,406	-	2,100	-	2,100
Depreciation	2,226	194	502	2,922	3,834	340	854	5,028
Direct litigation expenses	413,394	-	-	413,394	182,889	-	-	182,889
Dues and subscriptions	5,791	-	10,329	16,120	4,568	35	9,253	13,856
Employee benefits	57,121	4,992	12,897	75,010	56,012	4,964	12,466	73,442
Entertainment	4,440	635	-	5,075	3,428	908	-	4,336
Insurance	19,265	517	1,336	21,118	19,174	516	1,297	20,987
Office supplies	3,880	284	735	4,899	3,757	317	797	4,871
Parking	6,202	542	1,400	8,144	5,057	448	1,125	6,630
Payroll taxes	33,166	2,899	7,489	43,554	32,098	2,845	7,144	42,087
Pension	42,094	3,679	9,504	55,277	20,825	1,846	4,635	27,306
Photocopying and printing	20,529	153	6,110	26,792	13,037	140	14,855	28,032
Postage and delivery	10,891	121	9,086	20,098	14,034	122	21,749	35,905
Professional services	7,704	6,501	5,262	19,467	5,210	5,085	5,056	15,351
Rent and storage	213,294	18,642	48,158	280,094	218,627	19,377	48,659	286,663
Research	6,728	-	-	6,728	12	8,478	-	8,490
Salaries	532,637	46,552	120,261	699,450	542,456	48,078	120,732	711,266
Sublease expenses	-	-	-	-	-	27,402	-	27,402
Telephone	7,845	651	1,681	10,177	7,513	632	1,589	9,734
Travel	15,924	-	-	15,924	28,079	983	-	29,062
Total expenses	$ 1,403,131	$ 104,840	$ 234,750	$ 1,742,721	$ 1,160,610	$ 141,228	$ 250,211	$ 1,552,049

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Cash Flows
Years ended March 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	$ 1,665,492	$ 1,075,166
Attorneys' fees received	4,255	104,838
Interest and dividends received	1,527	44,680
Rent income received	56,114	18,551
Other income	(464)	382
Payments to vendors, suppliers and employees	(1,529,273)	(1,542,930)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	197,651	(299,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(787,482)	(6,593)
Proceeds from sales of investments	286,276	2,485,738
Purchase of property and equipment	(1,287)	(1,579)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	(502,493)	2,477,566
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(304,842)	2,178,253
CASH AND CASH EQUIVALENTS at beginning of year	2,385,423	207,170
CASH AND CASH EQUIVALENTS at end of year	$ 2,080,581	$ 2,385,423
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in net assets	$ 79,154	$ (347,604)
Adjustments		
Depreciation	2,922	5,028
Net realized and unrealized (gains)/losses on investments	1,146	35,149
(Increase) decrease in assets		
Grants receivable	55,000	-
Contribution receivable	(150,000)	-
Accounts receivable	(464)	-
Prepaid expenses	(2,802)	244
Deposits	(633)	(615)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	217,747	(5,840)
Deferred revenue	-	4,638
Security deposit	-	4,638
Accrued rent	(4,419)	5,049
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	$ 197,651	$ (299,313)

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, 2012, CIR held $282,504 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, 2012, CIR held $1,473,418 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/Contributions and other receivables

Management reviews grants and other receivables to determine collectibility. No interest is accrued on receivables. All receivables and grants/contributions 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, 2012 and 2011.

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, 2012 and 2011. The Center is also exempt from District of Columbia franchise, sales and property taxes.

The Center follows the accounting policy required under U.S. generally accepted accounting principles for, *Accounting for Uncertainty in Income Taxes.* It 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 2008.

NOTE C - INVESTMENTS

The fair value of investments as of March 31, 2012 and 2011 is presented below, along with a summary of investment income earned on investments and cash for the years then ended.

	2012	2011
Certificates of deposit	$ 500,060	$ -
Investment income (loss):		
Interest and dividends	$ 2,160	$ 45,295
Realized gains/(losses)	(1,285)	1,145
Unrealized gains/(losses)	139	(36,294)
	$ 1,014	$ 10,146

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at March 31 consists of the following:

	2012	2011
Furniture, equipment and software	$ 171,623	$ 183,822
Leasehold improvements	23,983	23,983
	195,606	207,805
Less accumulated depreciation and amortization	190,080	200,644
	$ 5,526	$ 7,161

Depreciation expense for the years ended March 31, 2012 and 2011 was $2,922 and $5,028, 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:

	2012	2011
Time restrictions	$ 150,000	$ 55,000
Purpose restrictions	405	405
	$ 150,405	$ 55,405

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 $20,283 and $27,306 for the years ended March 31, 2012 and 2011, 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 under the plan were $31,994 for the year ended March 31, 2012. There were no plan expenses for the year ended March 31, 2011 under this component.

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, 2012, the future minimum lease payments and sublease rental receipts are as follows:

Year ending March 31:	Payments	Receipts	Net
2013	$ 285,345	$ 57,517	$ 227,828
2014	293,069	58,954	234,115
2015	299,790	60,428	239,362
2016	307,289	61,939	245,350
2017	181,831	31,481	150,350
	$1,367,324	$270,319	$1,097,005

Rent expense for office space for the years ended March 31, 2012 and 2011 was \$280,094 and \$280,663, respectively. Rental income for office space for the years ended March 31, 2012 and 2011 was \$56,114 and \$13,913, 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

In preparing these financial statements, management of CIR has evaluated events and transactions that occurred after March 31, 2012 for potential recognition or disclosure in the financial statements. These events and transactions have been evaluated through June 19, 2012. This is the date that the financial statements were available to be issued.