CENTER FOR INDIVIDUAL RIGHTS

Financial Statements
and
Independent Auditor's Report

March 31, 2013 and 2012

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Center for Individual Rights

We have audited the accompanying statements of the Center for Individual Rights (CIR), which comprise the statement of financial position as of March 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets, functional expenses, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Stokes & Company, P.C.

STOKES & COMPANY, P.C.
Washington, D.C.

July 13, 2013

CENTER FOR INDIVIDUAL RIGHTS
Statements of Financial Position
March 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,591,138	$ 2,080,581
Investments	1,011	500,060
Contribution receivable	-	150,000
Accounts receivable	13	464
Prepaid expenses	38,351	37,542
Total current assets	2,630,513	2,768,647
PROPERTY AND EQUIPMENT - AT COST less accumulated depreciation and amortization of $193,128 and $190,080, respectively	3,675	5,526
OTHER ASSETS		
Deposits	22,806	22,154
Total assets	$ 2,656,994	$ 2,796,327
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 125,860	$ 250,440
Deferred revenue	-	4,638
Total current liabilities	125,860	255,078
LONG-TERM LIABILITIES		
Security deposit	4,638	4,638
Accrued rent	114,116	129,359
Total liabilities	244,614	389,075
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	2,341,040	2,256,847
Temporarily restricted	71,340	150,405
Total net assets	2,412,380	2,407,252
	$ 2,656,994	$ 2,796,327

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, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Grants and contributions	$ 1,317,399	$ 105,000	$ 1,422,399	$ 1,610,492	$ 150,000	$ 1,760,492
Attorneys' fees	-	-	-	4,255	-	4,255
Investment income	2,099	-	2,099	1,014	-	1,014
Rent income	57,516	-	57,516	56,114	-	56,114
Other income	30	-	30	-	-	-
Total revenues and other support	1,377,044	105,000	1,482,044	1,671,875	150,000	1,821,875
Net assets released from restriction	184,065	(184,065)	-	55,000	(55,000)	-
Total revenues and other support after release of restrictions	1,561,109	(79,065)	1,482,044	1,726,875	95,000	1,821,875
EXPENSES						
Program services	1,129,383	-	1,129,383	1,403,131	-	1,403,131
General and administrative	143,025	-	143,025	104,840	-	104,840
Fundraising	204,508	-	204,508	234,750	-	234,750
Total expenses	1,476,916	-	1,476,916	1,742,721	-	1,742,721
Change in net assets	84,193	(79,065)	5,128	(15,846)	95,000	79,154
NET ASSETS at beginning of year	2,256,847	150,405	2,407,252	2,272,693	55,405	2,328,098
NET ASSETS at end of year	$ 2,341,040	$ 71,340	$ 2,412,380	$ 2,256,847	$ 150,405	$ 2,407,252

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Functional Expenses
Years ended March 31, 2013 and 2012

	2013				2012			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	$ -	$ 16,575	$ -	$ 16,575	$ -	$ 16,072	$ -	$ 16,072
Bank charges	-	3,132	-	3,132	-	2,406	-	2,406
Depreciation	2,312	284	453	3,049	2,226	194	502	2,922
Direct litigation expenses	112,743	-	-	112,743	413,394	-	-	413,394
Dues and subscriptions	4,146	-	9,113	13,259	5,791	-	10,329	16,120
Employee benefits	55,390	6,811	10,855	73,056	57,121	4,992	12,897	75,010
Entertainment	5,789	414	-	6,203	4,440	635	-	5,075
Insurance	19,191	719	1,145	21,055	19,265	517	1,336	21,118
Office supplies	3,499	389	619	4,507	3,880	284	735	4,899
Parking	5,211	641	1,021	6,873	6,202	542	1,400	8,144
Payroll taxes	35,542	4,370	6,965	46,877	33,166	2,899	7,489	43,554
Pension	20,341	2,501	3,987	26,829	42,094	3,679	9,504	55,277
Photocopying and printing	23,860	397	8,063	32,320	20,529	153	6,110	26,792
Postage and delivery	6,027	70	4,571	10,668	10,891	121	9,086	20,098
Professional services	9,174	7,833	750	17,757	7,704	6,501	5,262	19,467
Rent and storage	219,080	26,938	42,936	288,954	213,294	18,642	48,158	280,094
Research	8,064	-	-	8,064	6,728	-	-	6,728
Salaries	573,078	70,465	112,312	755,855	532,637	46,552	120,261	699,450
Telephone	9,382	1,078	1,718	12,178	7,845	651	1,681	10,177
Travel	16,554	-	-	16,554	15,924	-	-	15,924
Miscellaneous	-	408	-	408	-	-	-	-
Total expenses	$ 1,129,383	$ 143,025	$ 204,508	$ 1,476,916	$ 1,403,131	$ 104,840	$ 234,750	$ 1,742,721

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

CENTER FOR INDIVIDUAL RIGHTS
Statements of Cash Flows
Years ended March 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	$ 1,572,399	$ 1,665,492
Attorneys' fees received	-	4,255
Interest and dividends received	1,230	1,527
Rent income received	52,878	56,114
Other income	481	(464)
Payments to vendors, suppliers and employees	(1,614,500)	(1,529,273)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,488	197,651
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(109,079)	(787,482)
Proceeds from sales of investments	608,345	286,276
Purchase of property and equipment	(1,197)	(1,287)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	498,069	(502,493)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	510,557	(304,842)
CASH AND CASH EQUIVALENTS at beginning of year	2,080,581	2,385,423
CASH AND CASH EQUIVALENTS at end of year	$ 2,591,138	$ 2,080,581

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 5,128	$ 79,154
Adjustments		
Depreciation	3,048	2,922
Net realized and unrealized (gains)/losses on investments	(217)	1,146
(Increase) decrease in assets		
Grants receivable	-	55,000
Contribution receivable	150,000	(150,000)
Accounts receivable	451	(464)
Prepaid expenses	(809)	(2,802)
Deposits	(652)	(633)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(124,580)	217,747
Deferred revenue	(4,638)	-
Accrued rent	(15,243)	(4,419)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 12,488	$ 197,651

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, 2013, CIR held $566,463 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, 2013, CIR held $1,681,523 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, 2013 and 2012.

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

All relevant assets and liabilities are Level 1.

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, 2013 and 2012. 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 2009.

NOTE C - INVESTMENTS

The fair value of investments as of March 31, 2013 and 2012 is presented below, along with a summary of investment income earned on investments and cash for the years then ended.

	2013	2012
Investment		
Certificates of deposit	$ -	$ 500,060
Mutual Funds	1,011	-
	$ 1,011	$ 500,060
Investment income (loss):		
Interest and dividends	$ 1,882	$ 2,160
Realized gains/(losses)	277	(1,285)
Unrealized gains/(losses)	(60)	139
	$ 2,099	$ 1,014

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at March 31 consists of the following:

	2013	2012
Furniture, equipment and software	$ 172,820	$ 171,623
Leasehold improvements	23,983	23,983
	196,803	195,606
Less accumulated depreciation and amortization	193,128	190,080
	$ 3,675	$ 5,526

Depreciation expense for the years ended March 31, 2013 and 2012 was $3,048 and $2,922, 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:

	2013	2012
Time restrictions	$ -	$ 150,000
Purpose restrictions	71,340	405
	$ 71,340	$ 150,405

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 $26,829 and $20,283 for the years ended March 31, 2013 and 2012, 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 year ended March 31, 2013 under this component. Expenses under the plan were $31,994 for the year ended March 31, 2012.

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, of which $27,948 was assigned to the new sublease contract.

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, 2013, the future minimum lease payments and sublease rental receipts are as follows:

Year ending March 31:	Payments	Receipts	Net
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
	$1,081,979	$212,802	$869,177

Rent expense for office space for the years ended March 31, 2013 and 2012 was $288,954 and $280,094, respectively. Rental income for office space for the years ended March 31, 2013 and 2012 was $57,516 and $56,114, 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, 2013 for potential recognition or disclosure in the financial statements. These events and transactions have been evaluated through July 13, 2013. This is the date that the financial statements were available to be issued.