

CENTER FOR INDIVIDUAL RIGHTS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

Center for Individual Rights

Table of Contents
March 31, 2015 and 2014

	<u>Pages</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



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600
(F) 301.986.0432

1901 L STREET, NW
SUITE 750
WASHINGTON, DC 20036
(T) 202.822.0717
(F) 202.822.0739

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 statements of financial position as of March 31, 2015 and 2014, 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 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 from 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 auditors consider internal control relevant to CIR'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 CIR'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, 2015 and 2014, 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.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
July 17, 2015

Certified Public Accountants

Center for Individual Rights

**Statements of Financial Position
March 31, 2015 and 2014**

	2015	2014
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 3,743,877	\$ 2,590,242
Contribution Receivable	-	200,000
Accounts Receivable	13	(33)
Prepaid Expenses	32,860	34,187
Total Current Assets	3,776,750	2,824,396
Property and Equipment - Net	19,402	15,406
Other Assets		
Deposits	23,070	23,479
Total Assets	\$ 3,819,222	\$ 2,863,281
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 58,846	\$ 58,041
Deferred Revenue	5,119	4,994
Total Current Liabilities	63,965	63,035
Long-Term Liabilities		
Security Deposit	4,637	4,637
Accrued Rent	61,460	91,148
Total Liabilities	130,062	158,820
Net Assets		
Unrestricted	3,618,225	2,433,121
Temporarily Restricted	70,935	271,340
Total Net Assets	3,689,160	2,704,461
Total Liabilities and Net Assets	\$ 3,819,222	\$ 2,863,281

See accompanying Notes to Financial Statements.

Center for Individual Rights

**Statements of Activities and Changes in Net Assets
For the Years Ended March 31, 2015 and 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
Grants and Contributions	\$ 2,502,895	\$ 25,000	\$ 2,527,895	\$ 1,946,322	\$ 200,000	\$ 2,146,322
Attorneys' Fees	910,300	-	910,300	425,000	-	425,000
Investment Income	1,051	-	1,051	976	-	976
Rent Income	60,928	-	60,928	58,954	-	58,954
Other Income	200	-	200	-	-	-
Net Assets Released from Restrictions	225,405	(225,405)	-	-	-	-
 Total Revenues and Other Support	 <u>3,700,779</u>	 <u>(200,405)</u>	 <u>3,500,374</u>	 <u>2,431,252</u>	 <u>200,000</u>	 <u>2,631,252</u>
Expenses						
Program Services	2,096,615	-	2,096,615	1,910,351	-	1,910,351
General and Administrative	99,650	-	99,650	109,115	-	109,115
Fundraising	319,410	-	319,410	319,705	-	319,705
 Total Expenses	 <u>2,515,675</u>	 <u>-</u>	 <u>2,515,675</u>	 <u>2,339,171</u>	 <u>-</u>	 <u>2,339,171</u>
 Changes in Net Assets	 <u>1,185,104</u>	 <u>(200,405)</u>	 <u>984,699</u>	 <u>92,081</u>	 <u>200,000</u>	 <u>292,081</u>
 Net Assets, Beginning of Year	 <u>2,433,121</u>	 <u>271,340</u>	 <u>2,704,461</u>	 <u>2,341,040</u>	 <u>71,340</u>	 <u>2,412,380</u>
 Net Assets, End of Year	 <u><u>\$ 3,618,225</u></u>	 <u><u>\$ 70,935</u></u>	 <u><u>\$ 3,689,160</u></u>	 <u><u>\$ 2,433,121</u></u>	 <u><u>\$ 271,340</u></u>	 <u><u>\$ 2,704,461</u></u>

See accompanying Notes to Financial Statements.

Center for Individual Rights

Statements of Functional Expenses
For the Years Ended March 31, 2015 and 2014

	2015				2014			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ 16,351	\$ 1,668	\$ 3,143	\$ 21,162	\$ 10,209	\$ 1,041	\$ 1,962	\$ 13,212
Depreciation and Amortization	4,522	461	869	5,852	2,661	284	459	3,404
Direct Litigation Expenses	956,083	37	-	956,120	836,399	-	-	836,399
Dues and Subscriptions	4,313	36	8,987	13,336	5,372	-	9,445	14,817
Insurance	22,421	882	1,663	24,966	24,370	853	1,378	26,601
Office Expense	9,109	929	1,751	11,789	4,864	4,463	839	10,166
Personnel Costs	692,972	70,685	133,216	896,873	678,203	72,389	117,019	867,611
Photocopying and Printing	9,014	116	103,257	112,387	11,053	187	36,489	47,729
Postage and Delivery	4,568	213	13,526	18,307	3,952	64	105,058	109,074
Professional Services	121,201	625	6,554	128,380	82,403	5,927	7,371	95,701
Rent and Storage	230,012	23,462	44,217	297,691	218,410	23,312	37,685	279,407
Research	7,336	44	1,077	8,457	6,334	-	995	7,329
Telephone	4,941	477	898	6,316	5,462	575	930	6,967
Travel and Entertainment	13,772	15	252	14,039	20,659	20	75	20,754
	<u>\$ 2,096,615</u>	<u>\$ 99,650</u>	<u>\$ 319,410</u>	<u>\$ 2,515,675</u>	<u>\$ 1,910,351</u>	<u>\$ 109,115</u>	<u>\$ 319,705</u>	<u>\$ 2,339,171</u>

See accompanying Notes to Financial Statements.

Center for Individual Rights

**Statements of Cash Flows
For the Years Ended March 31, 2015 and 2014**

	2015	2014
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 984,699	\$ 292,081
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	5,852	3,048
Deferred Rent	(29,688)	(22,968)
Gains on Investments	-	(1)
<u>(Increase) Decrease in Assets</u>		
Contribution Receivable	200,000	(200,000)
Accounts Receivable	(46)	46
Prepaid Expenses	1,327	4,164
Deposits	409	(673)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	805	(67,820)
Deferred Revenue	125	4,994
Net Cash Provided by Operating Activities	1,163,483	12,871
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(9,848)	(14,779)
Net Increase (Decrease) in Cash and Cash Equivalents	1,153,635	(1,908)
Cash and Cash Equivalents, Beginning of Year	2,590,242	2,592,150
Cash and Cash Equivalents, End of Year	\$3,743,877	\$2,590,242

See accompanying Notes to Financial Statements.

Center for Individual Rights

Notes to Financial Statements March 31, 2015 and 2014

1. ORGANIZATION

The Center for Individual Rights (CIR) was incorporated under the District of Columbia Non-Profit Corporation Act in 1988. CIR 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. CIR also provides legal representation to individuals who cannot afford competent legal counsel and who were denied their constitutional rights or civil rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America in relation to net asset classification. CIR 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.

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.

Cash Equivalents

Cash equivalents consist of checking and savings accounts and money market funds.

Contribution and Accounts Receivable

Contribution and accounts receivable are reported at their outstanding balances reduced by an allowance for doubtful accounts, if necessary.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering CIR's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a client's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due and charged off based on management's determination that they are uncollectible.

Center for Individual Rights

Notes to Financial Statements March 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Furniture and office equipment are recorded at cost. All expenditures for furniture and equipment over \$500 are capitalized.

Depreciation and amortization 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 amortization, and any gain or loss is reflected in income.

Revenues

CIR 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 restrictions. 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, 2015 and 2014.

Attorneys' fees, awarded by judgment of the court, are recorded as revenue when the court has set the amount CIR is to receive and a binding obligation to pay has been established.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

CIR is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

CIR follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in CIR's financial statements. As of March 31, 2015 and 2014, CIR had no unrecognized tax benefits related to uncertain tax positions in its tax return that would qualify for either recognition or disclosure in its financial statements.

CIR's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. For the years ended March 31, 2015 and 2014, there were no matters that would have resulted in an accrual for interest and/or penalties.

Center for Individual Rights

Notes to Financial Statements March 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

CIR's information returns that have been filed as of March 31, 2015, for the years ended March 31, 2014, 2013, and 2012, are subject to examination by federal, state, or local taxing authorities, generally for three years after they were filed.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. Such reclassification had no effect on reported changes in net assets.

3. CONCENTRATION OF CREDIT RISK

Operating funds are held by financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). As of March 31, 2015 and 2014, CIR exceeded the FDIC and SIPC insured limits by approximately \$3,400,000 and \$2,250,000, respectively. CIR has never experienced any losses as a result of exceeding the insurance limits.

4. PROPERTY AND EQUIPMENT

Property and equipment at March 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Furniture, Equipment, and Software	\$ 197,395	\$ 187,955
Leasehold Improvements	23,983	23,983
	<u>221,378</u>	211,938
Less Accumulated Depreciation and Amortization	<u>(201,976)</u>	<u>(196,532)</u>
Total	<u>\$ 19,402</u>	<u>\$ 15,406</u>

Depreciation and amortization expense for the years ended March 31, 2015 and 2014, was \$5,852 and \$3,048, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions, which are restricted as follows:

	<u>April 1, 2014</u>	<u>Additions</u>	<u>Releases</u>	<u>March 31, 2015</u>
Time Restriction	\$ 200,000	\$ -	\$ (200,000)	\$ -
Purpose Restriction - Friedrichs	-	25,000	(25,000)	-
Purpose Restriction - Hart	405	-	(405)	-
Purpose Restriction - Section 5 Litigation	70,935	-	-	70,935
Total	<u>\$ 271,340</u>	<u>\$ 25,000</u>	<u>\$ (225,405)</u>	<u>\$ 70,935</u>

Center for Individual Rights

Notes to Financial Statements March 31, 2015 and 2014

5. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	April 1, 2013	Additions	Releases	March 31, 2014
Time Restriction	\$ -	\$ 200,000	\$ -	\$ 200,000
Purpose Restriction - Hart	405	-	-	405
Purpose Restriction - Section 5 Litigation	70,935	-	-	70,935
Total	<u>\$ 71,340</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 271,340</u>

6. PENSION PLAN

In 2009, CIR 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. During 2014, the Plan was modified to comply with new federal regulations.

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. CIR may also 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. Additionally, under the profit sharing component of the Plan, CIR will determine each year whether to contribute an additional amount (if any), to substantially all employees.

CIR's contributions to the Plan were \$57,188 and \$45,122 for the years ended March 31, 2015 and 2014, respectively.

7. OPERATING LEASE

In November 2003, CIR 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 statements 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.

CIR entered into a new sublease contract beginning December 2010 and ending September 2016. The subtenant made a security deposit of \$4,637 at the commencement of the lease.

Center for Individual Rights

**Notes to Financial Statements
March 31, 2015 and 2014**

7. OPERATING LEASE (CONTINUED)

As of March 31, 2015, the future minimum lease payments and sublease rental receipts are as follows:

	<u>Payments</u>	<u>Receipts</u>	<u>Net</u>
<u>For the Years Ending March 31:</u>			
2016	\$ 307,289	\$ 61,939	\$ 245,350
2017	181,831	31,481	150,350
Total	<u>\$ 489,120</u>	<u>\$ 93,420</u>	<u>\$ 395,700</u>

Rent expense for office space for the years ended March 31, 2015 and 2014, was \$297,691 and \$279,407, respectively. Rental income for office space for the years ended March 31, 2015 and 2014, was \$60,928 and \$58,954, respectively.

8. SUBSEQUENT EVENTS

CIR has evaluated subsequent events through July 17, 2015, the date on which the financial statements were available to be issued.