



**CENTER FOR INDIVIDUAL RIGHTS**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016 AND 2015**

**CENTER FOR INDIVIDUAL RIGHTS**

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MARCH 31, 2016 AND 2015**

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## Independent Auditors' Report

To the Board of Directors  
Center for Individual Rights  
Washington, D.C.

We have audited the accompanying financial statements of the Center for Individual Rights (CIR), which comprise the statements of financial position as of March 31, 2016 and 2015, 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.

### *Auditors' 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 auditors' 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 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, 2016 and 2015, 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.*

Certified Public Accountants

Bethesda, Maryland  
August 4, 2016



CENTER FOR INDIVIDUAL RIGHTS

STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2016 AND 2015

|   | 2016                | 2015                |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| <b>Current Assets</b>                   |                     |                     |
| Cash and Cash Equivalents               | \$ 3,864,862        | \$ 3,743,877        |
| Accounts Receivable                     | -                   | 13                  |
| Prepaid Expenses                        | 34,236              | 32,860              |
| Total Current Assets                    | 3,899,098           | 3,776,750           |
| <b>Property and Equipment - Net</b>     | 14,454              | 19,402              |
| <b>Other Assets</b>                     |                     |                     |
| Deposits                                | 23,070              | 23,070              |
| <b>Total Assets</b>                     | <b>\$ 3,936,622</b> | <b>\$ 3,819,222</b> |
| <b>Liabilities and Net Assets</b>       |                     |                     |
| <b>Current Liabilities</b>              |                     |                     |
| Accounts Payable and Accrued Expenses   | \$ 72,039           | \$ 58,846           |
| Deferred Revenue                        | 5,247               | 5,119               |
| Security Deposit - Current              | 4,637               | -                   |
| Accrued Rent - Current                  | 24,272              | -                   |
| Total Current Liabilities               | 106,195             | 63,965              |
| <b>Noncurrent Liabilities</b>           |                     |                     |
| Security Deposit                        | -                   | 4,637               |
| Accrued Rent                            | -                   | 61,460              |
| Total Noncurrent Liabilities            | -                   | 66,097              |
| <b>Total Liabilities</b>                | <b>106,195</b>      | <b>130,062</b>      |
| <b>Net Assets</b>                       |                     |                     |
| Unrestricted                            | 3,759,492           | 3,618,225           |
| Temporarily Restricted                  | 70,935              | 70,935              |
| <b>Total Net Assets</b>                 | <b>3,830,427</b>    | <b>3,689,160</b>    |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 3,936,622</b> | <b>\$ 3,819,222</b> |

*See accompanying Notes to Financial Statements.*

CENTER FOR INDIVIDUAL RIGHTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

|   | 2016                |                           |                     | 2015                |                           |                     |
|---|---------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
|   | Unrestricted        | Temporarily<br>Restricted | Total               | Unrestricted        | Temporarily<br>Restricted | Total               |
| <b>Revenues and Other Support</b>       |                     |                           |                     |                     |                           |                     |
| Grants and Contributions                | \$ 2,191,667        | \$ -                      | \$ 2,191,667        | \$ 2,502,895        | \$ 25,000                 | \$ 2,527,895        |
| Attorneys' Fees                         | 25,000              | -                         | 25,000              | 910,300             | -                         | 910,300             |
| Investment Income                       | 1,744               | -                         | 1,744               | 1,051               | -                         | 1,051               |
| Rent Income                             | 61,939              | -                         | 61,939              | 60,928              | -                         | 60,928              |
| Other Income                            | 20                  | -                         | 20                  | 200                 | -                         | 200                 |
| Net Assets Released from Restrictions   | -                   | -                         | -                   | 225,405             | (225,405)                 | -                   |
| <b>Total Revenues and Other Support</b> | <b>2,280,370</b>    | <b>-</b>                  | <b>2,280,370</b>    | <b>3,700,779</b>    | <b>(200,405)</b>          | <b>3,500,374</b>    |
| <b>Expenses</b>                         |                     |                           |                     |                     |                           |                     |
| Program Services                        | 2,001,789           | -                         | 2,001,789           | 2,096,615           | -                         | 2,096,615           |
| General and Administrative              | 64,645              | -                         | 64,645              | 99,650              | -                         | 99,650              |
| Fundraising                             | 72,669              | -                         | 72,669              | 319,410             | -                         | 319,410             |
| <b>Total Expenses</b>                   | <b>2,139,103</b>    | <b>-</b>                  | <b>2,139,103</b>    | <b>2,515,675</b>    | <b>-</b>                  | <b>2,515,675</b>    |
| Changes in Net Assets                   | 141,267             | -                         | 141,267             | 1,185,104           | (200,405)                 | 984,699             |
| Net Assets, Beginning of Year           | 3,618,225           | 70,935                    | 3,689,160           | 2,433,121           | 271,340                   | 2,704,461           |
| <b>Net Assets, End of Year</b>          | <b>\$ 3,759,492</b> | <b>\$ 70,935</b>          | <b>\$ 3,830,427</b> | <b>\$ 3,618,225</b> | <b>\$ 70,935</b>          | <b>\$ 3,689,160</b> |

See accompanying Notes to Financial Statements.

**CENTER FOR INDIVIDUAL RIGHTS**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

|                               | 2016                |                               |                  |                     | 2015                |                               |                   |                     |
|-------------------------------|---------------------|-------------------------------|------------------|---------------------|---------------------|-------------------------------|-------------------|---------------------|
|                               | Program<br>Services | General and<br>Administrative | Fundraising      | Total               | Program<br>Services | General and<br>Administrative | Fundraising       | Total               |
| Accounting                    | \$ 21,466           | \$ 1,115                      | \$ 1,254         | \$ 23,835           | \$ 16,351           | \$ 1,668                      | \$ 3,143          | \$ 21,162           |
| Depreciation and Amortization | 4,456               | 232                           | 260              | 4,948               | 4,522               | 461                           | 869               | 5,852               |
| Direct Litigation Expenses    | 750,066             | -                             | -                | 750,066             | 956,083             | 37                            | -                 | 956,120             |
| Dues and Subscriptions        | 15,262              | 793                           | 891              | 16,946              | 4,313               | 36                            | 8,987             | 13,336              |
| Insurance                     | 20,925              | 1,087                         | 1,222            | 23,234              | 22,421              | 882                           | 1,663             | 24,966              |
| Office Expense                | 8,253               | 429                           | 483              | 9,165               | 9,109               | 929                           | 1,751             | 11,789              |
| Personnel Costs               | 731,448             | 38,001                        | 42,718           | 812,167             | 692,972             | 70,685                        | 133,216           | 896,873             |
| Photocopying and Printing     | 14,028              | 729                           | 819              | 15,576              | 9,014               | 116                           | 103,257           | 112,387             |
| Postage and Delivery          | 8,450               | 439                           | 493              | 9,382               | 4,568               | 213                           | 13,526            | 18,307              |
| Professional Services         | 130,715             | 6,791                         | 7,634            | 145,140             | 121,201             | 625                           | 6,554             | 128,380             |
| Rent and Storage              | 266,634             | 13,852                        | 15,572           | 296,058             | 230,012             | 23,462                        | 44,217            | 297,691             |
| Research                      | 7,430               | -                             | -                | 7,430               | 7,336               | 44                            | 1,077             | 8,457               |
| Telephone                     | 5,686               | 295                           | 332              | 6,313               | 4,941               | 477                           | 898               | 6,316               |
| Travel and Entertainment      | 16,970              | 882                           | 991              | 18,843              | 13,772              | 15                            | 252               | 14,039              |
|                               | <u>\$ 2,001,789</u> | <u>\$ 64,645</u>              | <u>\$ 72,669</u> | <u>\$ 2,139,103</u> | <u>\$ 2,096,615</u> | <u>\$ 99,650</u>              | <u>\$ 319,410</u> | <u>\$ 2,515,675</u> |

*See accompanying Notes to Financial Statements.*

**CENTER FOR INDIVIDUAL RIGHTS**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

|   | <b>2016</b>         | <b>2015</b>         |
|---|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>   |                     |                     |
| Increase in Net Assets  | \$ 141,267          | \$ 984,699          |
| Adjustments to Reconcile Increase in Net Assets<br>to Net Cash Provided by Operating Activities |                     |                     |
| Depreciation and Amortization   | 4,948               | 5,852               |
| <u>(Increase) Decrease in Assets</u>  |                     |                     |
| Contribution Receivable   | -                   | 200,000             |
| Accounts Receivable   | 13                  | (46)                |
| Prepaid Expenses  | (1,376)             | 1,327               |
| Deposits  | -                   | 409                 |
| <u>Increase (Decrease) in Liabilities</u>   |                     |                     |
| Accounts Payable and Accrued Expenses   | 13,193              | 805                 |
| Deferred Rent   | (37,188)            | (29,688)            |
| Deferred Revenue  | 128                 | 125                 |
|   | <b>120,985</b>      | <b>1,163,483</b>    |
| Net Cash Provided by Operating Activities   |                     |                     |
| <b>Cash Flows from Investing Activities</b>   |                     |                     |
| Purchases of Property and Equipment   | -                   | (9,848)             |
| Net Increase in Cash and Cash Equivalents   | 120,985             | 1,153,635           |
| Cash and Cash Equivalents, Beginning of Year  | 3,743,877           | 2,590,242           |
| <b>Cash and Cash Equivalents, End of Year</b>   | <b>\$ 3,864,862</b> | <b>\$ 3,743,877</b> |

*See accompanying Notes to Financial Statements.*

**CENTER FOR INDIVIDUAL RIGHTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2016 AND 2015**

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**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.

*Property and Equipment*

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



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Property and Equipment (Continued)*

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, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015, there were no matters that would have resulted in an accrual for interest and/or penalties.

CIR's information returns that have been filed as of March 31, 2016, for the years ended March 31, 2015, 2014, and 2013 are subject to examination by federal, state, or local taxing authorities, generally for three years after they were filed.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Reclassifications*

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 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, 2016 and 2015, CIR exceeded the FDIC and SIPC insured limits by approximately \$3,365,000 and \$3,400,000, respectively. CIR has never experienced any losses as a result of exceeding the insurance limits.

**4. FAIR VALUE MEASUREMENTS**

CIR has categorized its financial instruments based on a three-level fair value hierarchy as follows:

*Level 1* - values are based on quoted prices for identical assets in active markets.

*Level 2* - values are based on quoted prices for similar assets in active or inactive markets.

*Level-3* - values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect CIR's judgement about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include CIR's own data.

Investments were measured at fair value on a recurring basis at March 31 were as follows:

|                                     | <u>2016</u>         | <u>2015</u>         |
|-------------------------------------|---------------------|---------------------|
| <b>Investments</b>                  |                     |                     |
| Money Market Mutual Funds - Level 1 | <u>\$ 1,791,817</u> | <u>\$ 1,789,424</u> |

Investments income for the years ended at March 31 were as follows:

|                                  | <u>2016</u>     | <u>2015</u>     |
|----------------------------------|-----------------|-----------------|
| <b>Investments Income (Loss)</b> |                 |                 |
| Interest and Dividends           | \$ 1,793        | \$ 759          |
| Realized Gains (Losses)          | <u>(49)</u>     | <u>292</u>      |
| Total                            | <u>\$ 1,744</u> | <u>\$ 1,051</u> |

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**5. PROPERTY AND EQUIPMENT**

Property and equipment at March 31 consisted of the following:

|  | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|
| Furniture, Equipment, and Software             | \$ 197,395       | \$ 197,395       |
| Leasehold Improvements                         | <u>23,983</u>    | <u>23,983</u>    |
|  | 221,378          | 221,378          |
| Less Accumulated Depreciation and Amortization | <u>(206,924)</u> | <u>(201,976)</u> |
| Total  | <u>\$ 14,454</u> | <u>\$ 19,402</u> |

Depreciation and amortization expense for the years ended March 31, 2016 and 2015, was \$4,948 and \$5,852, respectively.

**6. TEMPORARILY RESTRICTED NET ASSETS**

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

|   | <u>April 1,<br/>2015</u> | <u>Additions</u> | <u>Releases</u> | <u>March 31,<br/>2016</u> |
|---|--------------------------|------------------|-----------------|---------------------------|
| <b>Purpose Restriction -<br/>Section 5 Litigation</b> | <u>\$ 70,935</u>         | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ 70,935</u>          |
| <b>Total</b>  | <u>\$ 70,935</u>         | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ 70,935</u>          |

  

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

**7. 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.

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**7. PENSION PLAN (CONTINUED)**

CIR's contributions to the Plan were \$68,043 and \$57,188 for the years ended March 31, 2016 and 2015, respectively.

**8. OPERATING LEASE**

In November 2003, CIR extended its lease for office space until October 31, 2016. 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.

As of March 31, 2016, the future minimum lease payments and sublease rental receipts are as follows:

|                                      | <u>Payments</u>   | <u>Receipts</u>  | <u>Net</u>        |
|--------------------------------------|-------------------|------------------|-------------------|
| <u>For the Year Ending March 31,</u> |                   |                  |                   |
| 2017                                 | <u>\$ 181,831</u> | <u>\$ 31,481</u> | <u>\$ 150,350</u> |

Rent expense for office space for the years ended March 31, 2016 and 2015, was \$296,058 and \$297,691, respectively.

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.

Rental income for office space for the years ended March 31, 2016 and 2015, was \$61,939 and \$60,928, respectively.

Neither current lease agreement nor sublease agreement were projected for renewal in subsequent period.

**9. SUBSEQUENT EVENTS**

CIR has evaluated subsequent events through August 4, 2016, the date on which the financial statements were available to be issued.