



**CENTER FOR INDIVIDUAL RIGHTS**

**FINANCIAL STATEMENTS**

**MARCH 31, 2017 AND 2016**

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MARCH 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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  
August 23, 2017

Certified Public Accountants



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**STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2017 AND 2016**

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 4,089,595	\$ 3,864,862
Prepaid Expenses	20,818	34,236
Total Current Assets	4,110,413	3,899,098
<b>Property and Equipment - Net</b>	28,662	14,454
<b>Other Assets</b>		
Deposits	21,214	23,070
<b>Total Assets</b>	<b>\$ 4,160,289</b>	<b>\$ 3,936,622</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 234,426	\$ 72,039
Deferred Revenue	-	5,247
Security Deposit	-	4,637
Deferred Rent - Current	-	24,272
Total Current Liabilities	234,426	106,195
<b>Noncurrent Liabilities</b>		
Deferred Rent	54,689	-
Total Noncurrent Liabilities	54,689	-
Total Liabilities	289,115	106,195
<b>Net Assets</b>		
Unrestricted	3,700,293	3,759,492
Temporarily Restricted	170,881	70,935
Total Net Assets	3,871,174	3,830,427
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,160,289</b>	<b>\$ 3,936,622</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, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support</b>						
Grants and Contributions	\$ 1,064,314	\$ 170,881	\$ 1,235,195	\$ 2,191,667	\$ -	\$ 2,191,667
Attorneys' Fees	250,000	-	250,000	25,000	-	25,000
Investment Income	1,832	-	1,832	1,744	-	1,744
Rent Income	36,118	-	36,118	61,939	-	61,939
Other Income	-	-	-	20	-	20
Net Assets Released from Restrictions	70,935	(70,935)	-	-	-	-
<b>Total Revenues and Other Support</b>	<b>1,423,199</b>	<b>99,946</b>	<b>1,523,145</b>	<b>2,280,370</b>	<b>-</b>	<b>2,280,370</b>
<b>Expenses</b>						
Program Services	1,324,133	-	1,324,133	2,001,789	-	2,001,789
General and Administrative	90,031	-	90,031	64,645	-	64,645
Fundraising	68,234	-	68,234	72,669	-	72,669
<b>Total Expenses</b>	<b>1,482,398</b>	<b>-</b>	<b>1,482,398</b>	<b>2,139,103</b>	<b>-</b>	<b>2,139,103</b>
Changes in Net Assets	(59,199)	99,946	40,747	141,267	-	141,267
Net Assets, Beginning of Year	3,759,492	70,935	3,830,427	3,618,225	70,935	3,689,160
<b>Net Assets, End of Year</b>	<b>\$ 3,700,293</b>	<b>\$ 170,881</b>	<b>\$ 3,871,174</b>	<b>\$ 3,759,492</b>	<b>\$ 70,935</b>	<b>\$ 3,830,427</b>

See accompanying Notes to Financial Statements.

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**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

	2017				2016			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ -	\$ 22,904	\$ -	\$ 22,904	\$ 21,466	\$ 1,115	\$ 1,254	\$ 23,835
Bank Charges	-	3,115	-	3,115	3,481	-	-	3,481
Depreciation and Amortization	6,269	341	345	6,955	4,456	232	260	4,948
Direct Litigation Expenses	171,353	-	-	171,353	750,066	-	-	750,066
Dues and Subscriptions	5,728	-	9,626	15,354	15,262	793	891	16,946
Insurance	20,161	1,098	1,108	22,367	20,925	1,087	1,222	23,234
Miscellaneous	-	3,969	-	3,969	1,843	-	-	1,843
Office Expense	4,423	241	243	4,907	2,929	429	483	3,841
Personnel Costs	760,642	41,424	41,804	843,870	731,448	38,001	42,718	812,167
Photocopying and Printing	15,595	849	857	17,301	14,028	729	819	15,576
Postage and Delivery	5,269	287	290	5,846	8,450	439	493	9,382
Professional Services	102,629	2,728	2,320	107,677	130,715	6,791	7,634	145,140
Rent and Storage	205,106	11,170	11,272	227,548	266,634	13,852	15,572	296,058
Research	7,655	-	-	7,655	7,430	-	-	7,430
Telephone	6,713	366	369	7,448	5,686	295	332	6,313
Travel and Entertainment	12,590	1,539	-	14,129	16,970	882	991	18,843
	<u>\$ 1,324,133</u>	<u>\$ 90,031</u>	<u>\$ 68,234</u>	<u>\$ 1,482,398</u>	<u>\$ 2,001,789</u>	<u>\$ 64,645</u>	<u>\$ 72,669</u>	<u>\$ 2,139,103</u>

*See accompanying Notes to Financial Statements.*

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**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 40,747	\$ 141,267
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	6,955	4,948
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	-	13
Prepaid Expenses	13,418	(1,376)
Deposits	1,856	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	162,387	13,193
Deferred Revenue	(5,247)	128
Security Deposit	(4,637)	-
Deferred Rent	30,417	(37,188)
Net Cash Provided by Operating Activities	245,896	120,985
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(21,163)	-
Net Cash Used in Investing Activities	(21,163)	-
Net Increase in Cash and Cash Equivalents	224,733	120,985
Cash and Cash Equivalents, Beginning of Year	3,864,862	3,743,877
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,089,595</b>	<b>\$ 3,864,862</b>

*See accompanying Notes to Financial Statements.*

**CENTER FOR INDIVIDUAL RIGHTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2017 AND 2016**

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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.

*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, 2017 and 2016.



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

*Revenues (Continued)*

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, 2017 and 2016, 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 IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by taxing authorities, generally for three years after it was filed.

*Reclassifications*

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Such reclassification had no effect on reported changes in net assets.

**3. CONCENTRATIONS**

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, 2017 and 2016, CIR exceeded the FDIC and SIPC insured limits by approximately \$3,592,000 and \$3,365,000, respectively. CIR has never experienced any losses as a result of exceeding the insurance limits.

For the year ended March 31, 2017, approximately 49% of grants and contributions revenue were from one donor. For the year ended March 31, 2016, approximately 61% of grants and contributions revenue were from two donors.

**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.

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**4. FAIR VALUE MEASUREMENTS (CONTINUED)**

*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.

Investments measured at fair value on a recurring basis at March 31, 2017, were as follows:

	Fair Value	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 1,798,469	\$ 1,798,469	\$ -	\$ -

Investments measured at fair value on a recurring basis at March 31, 2016, were as follows:

	Fair Value	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 1,791,817	\$ 1,791,817	\$ -	\$ -

Investments income for the years ended at March 31, 2017 and 2016, were as follows:

	2017	2016
<b>Investments Income (Loss)</b>		
Interest and Dividends	\$ 1,877	\$ 1,793
Realized Losses	(45)	(49)
Total	\$ 1,832	\$ 1,744

**5. PROPERTY AND EQUIPMENT**

Property and equipment at March 31, 2017 and 2016, consisted of the following:

	2017	2016
Furniture, Equipment, and Software	\$ 206,789	\$ 197,395
Leasehold Improvements	11,769	23,983
	218,558	221,378
Less Accumulated Depreciation and Amortization	(189,896)	(206,924)
Total	\$ 28,662	\$ 14,454

Depreciation and amortization expense for the years ended March 31, 2017 and 2016, was \$6,955 and \$4,948, respectively.

**6. TEMPORARILY RESTRICTED NET ASSETS**

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

	April 1, 2016	Additions	Releases	March 31, 2017
<b>Purpose Restriction -</b>				
Section 5 Litigation	\$ 70,935	\$ -	\$ (70,935)	\$ -
Union Dues Litigation and New Staff	-	170,881	-	170,881
Total	\$ 70,935	\$ 170,881	\$ (70,935)	\$ 170,881

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**6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

	April 1, 2015	Additions	Releases	March 31, 2016
Purpose Restriction - Section 5 Litigation	\$ 70,935	\$ -	\$ -	\$ 70,935
Total	\$ 70,935	\$ -	\$ -	\$ 70,935

**7. PENSION PLAN**

CIR maintains a 401(k) Profit Sharing Plan (the Plan) that covers 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. CIR may also elect each year to make a matching contribution of a specified percentage of employees' elective contribution or a safe-harbor non-elective contribution of 3% of each employees' 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 \$75,891 and \$68,043 for the years ended March 31, 2017 and 2016, respectively.

**8. OPERATING LEASE**

CIR had a lease for office space which expired on October 31, 2016. During November 2016, CIR entered into a seven year and six month lease agreement for new office space that commenced on November 1, 2016 and is to expire on April 30, 2024. The new lease includes annual base rent increases of 2.5%.

The total of rent payments due under the each agreement 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 deferred 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, 2017, the future minimum lease payments are as follows:

<u>For the Years Ending March 31,</u>	
2018	\$ 117,600
2019	131,376
2020	134,660
2021	138,027
2022	143,935
Thereafter	318,808
	\$ 984,406

Rent expense for office space for the years ended March 31, 2017 and 2016, was \$227,548 and \$296,058, respectively.

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**8. OPERATING LEASE (CONTINUED)**

In December 2010, CIR entered into a sublease agreement that ended on September 30, 2016. Rental income under the sublease agreement was \$36,118 and \$61,939, for the years ended March 31, 2017 and 2016, respectively. There is no sublease in the new office space.

**9. SUBSEQUENT EVENTS**

CIR has evaluated subsequent events through August 23, 2017, the date on which the financial statements were available to be issued.