



CENTER FOR INDIVIDUAL RIGHTS

FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

CENTER FOR INDIVIDUAL RIGHTS

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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, 2018 and 2017, 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, 2018 and 2017, 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 15, 2018

Certified Public Accountants



CENTER FOR INDIVIDUAL RIGHTS

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,298,340	\$ 4,089,595
Prepaid Expenses	18,156	20,818
Total Current Assets	4,316,496	4,110,413
Property and Equipment - Net	19,691	28,662
Other Assets		
Deposits	21,234	21,214
Total Assets	\$ 4,357,421	\$ 4,160,289
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 86,153	\$ 234,426
Deferred Rent - Current	122	-
Total Current Liabilities	86,275	234,426
Noncurrent Liabilities		
Deferred Rent - Noncurrent	68,221	54,689
Total Noncurrent Liabilities	68,221	54,689
Total Liabilities	154,496	289,115
Net Assets		
Unrestricted	4,202,925	3,700,293
Temporarily Restricted	-	170,881
Total Net Assets	4,202,925	3,871,174
Total Liabilities and Net Assets	\$ 4,357,421	\$ 4,160,289

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
Grants and Contributions	\$ 2,016,083	\$ -	\$ 2,016,083	\$ 1,064,314	\$ 170,881	\$ 1,235,195
In-Kind Services	246,389	-	246,389	-	-	-
Attorneys' Fees	2,106	-	2,106	250,000	-	250,000
Investment Income	2,841	-	2,841	1,832	-	1,832
Rent Income	-	-	-	36,118	-	36,118
Net Assets Released from Restrictions	170,881	(170,881)	-	70,935	(70,935)	-
Total Revenues and Other Support	2,438,300	(170,881)	2,267,419	1,423,199	99,946	1,523,145
Expenses						
Program Services	1,750,288	-	1,750,288	1,324,133	-	1,324,133
General and Administrative	99,908	-	99,908	90,031	-	90,031
Fundraising	85,472	-	85,472	68,234	-	68,234
Total Expenses	1,935,668	-	1,935,668	1,482,398	-	1,482,398
Changes in Net Assets	502,632	(170,881)	331,751	(59,199)	99,946	40,747
Net Assets, Beginning of Year	3,700,293	170,881	3,871,174	3,759,492	70,935	3,830,427
Net Assets, End of Year	\$ 4,202,925	\$ -	\$ 4,202,925	\$ 3,700,293	\$ 170,881	\$ 3,871,174

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018				2017			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ -	\$ 25,295	\$ -	\$ 25,295	\$ -	\$ 22,904	\$ -	\$ 22,904
Bank Charges	-	3,908	-	3,908	-	3,115	-	3,115
Depreciation and Amortization	7,915	509	547	8,971	6,269	341	345	6,955
Direct Litigation Expenses	555,917	-	-	555,917	171,353	-	-	171,353
Dues and Subscriptions	4,738	-	10,397	15,135	5,728	-	9,626	15,354
In-Kind Services	246,389	-	-	246,389	-	-	-	-
Insurance	13,770	10,065	-	23,835	20,161	1,098	1,108	22,367
Miscellaneous	-	-	-	-	-	3,969	-	3,969
Office Expense	1,337	86	92	1,515	4,423	241	243	4,907
Personnel Costs	662,753	42,602	45,761	751,116	760,642	41,424	41,804	843,870
Photocopying and Printing	8,737	688	12,093	21,518	15,595	849	857	17,301
Postage and Delivery	7,003	950	6,380	14,333	5,269	287	290	5,846
Professional Services	80,992	7,005	1,621	89,618	102,629	2,728	2,320	107,677
Rent and Storage	116,351	7,479	8,034	131,864	205,106	11,170	11,272	227,548
Research	7,984	-	-	7,984	7,655	-	-	7,655
Telephone	7,921	509	547	8,977	6,713	366	369	7,448
Travel and Entertainment	28,481	812	-	29,293	12,590	1,539	-	14,129
	<u>\$ 1,750,288</u>	<u>\$ 99,908</u>	<u>\$ 85,472</u>	<u>\$ 1,935,668</u>	<u>\$ 1,324,133</u>	<u>\$ 90,031</u>	<u>\$ 68,234</u>	<u>\$ 1,482,398</u>

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ 331,751	\$ 40,747
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	8,971	6,955
<u>(Increase) Decrease in Assets</u>		
Prepaid Expenses	2,662	13,418
Deposits	(20)	1,856
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(148,273)	162,387
Deferred Revenue	-	(5,247)
Security Deposit	-	(4,637)
Deferred Rent	13,654	30,417
Net Cash Provided by Operating Activities	208,745	245,896
Cash Flows from Investing Activities		
Purchases of Property and Equipment	-	(21,163)
Net Cash Used in Investing Activities	-	(21,163)
Net Increase in Cash and Cash Equivalents	208,745	224,733
Cash and Cash Equivalents, Beginning of Year	4,089,595	3,864,862
Cash and Cash Equivalents, End of Year	\$ 4,298,340	\$ 4,089,595

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

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.

Revenue Recognition / In-Kind Services

CIR's contributions, whether received as cash, other assets, in-kind services, or unconditional promises to give, is recognized in the period received at its fair value. CIR distinguishes such contributions received for each net asset class in accordance with donor-imposed restrictions, if any. 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, 2018 and 2017.

CENTER FOR INDIVIDUAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition / In-Kind Services (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, 2018 and 2017, 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 2017 financial statements have been reclassified to conform to the 2018 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, 2018 and 2017, CIR exceeded the FDIC and SIPC insured limits by approximately \$3,793,000 and \$3,592,000, respectively. CIR has never experienced any losses because of exceeding the insurance limits.

For the year ended March 31, 2018, approximately 55% of grants and contributions revenue were received from two donors. For the year ended March 31, 2017, approximately 49% of grants and contributions revenue were received from one donor.

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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**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

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, 2018, were as follows:

	Fair Value	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 1,811,346	\$ 1,811,346	\$ -	\$ -

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 income for the years ended at March 31, 2018 and 2017, were as follows:

	2018	2017
Investments Income (Loss)		
Interest and Dividends	\$ 3,295	\$ 1,877
Realized Losses	(239)	(42)
Unrealized Losses	(215)	(3)
Total	\$ 2,841	\$ 1,832

5. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2018 and 2017, consisted of the following:

	2018	2017
Furniture, Equipment, and Software	\$ 206,789	\$ 206,789
Leasehold Improvements	35,752	35,752
	242,541	242,541
Less Accumulated Depreciation and Amortization	(222,850)	(213,879)
Total	\$ 19,691	\$ 28,662

Depreciation and amortization expense for the years ended March 31, 2018 and 2017, was \$8,971 and \$6,955, respectively.

6. IN-KIND SERVICES

CIR is a recipient of pro bono legal services for litigations during the year ended March 31, 2018. The fair value of the pro bono legal services, \$246,389, received during the year ended March 31, 2018, is included in the statements of activities and changes in net assets, and functional expenses as In-Kind Services.

Prior to fiscal year 2018, CIR has not recognized the value of pro bono legal services received. Because of the increasing significance of the pro bono legal services, CIR adopted to recognize revenue and related expense for contributed services received from legal firms during the year ended March 31, 2018.

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**NOTES TO FINANCIAL STATEMENTS
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6. IN-KIND SERVICES (CONTINUED)

The change in accounting principle was adopted prospectively in the year ended March 31, 2018. As a result, there was no cumulative effect of the change on the changes in net assets, unrestricted net assets, or total assets as of April 1, 2017.

7. TEMPORARILY RESTRICTED NET ASSETS

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

	April 1, 2017	Additions	Releases	March 31, 2018
Purpose Restriction - Union Dues Litigation	\$ 170,881	\$ -	\$ (170,881)	\$ -
Total	\$ 170,881	\$ -	\$ (170,881)	\$ -
	April 1, 2016	Additions	Releases	March 31, 2017
Purpose Restriction - 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

8. 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 \$95,505 and \$75,891 for the years ended March 31, 2018 and 2017, respectively.

9. OPERATING LEASE

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.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

9. OPERATING LEASE (CONTINUED)

As of March 31, 2018, the future minimum lease payments are as follows:

For the Years Ending March 31,

2019	\$ 131,376
2020	134,660
2021	138,027
2022	143,935
2023	150,976
Thereafter	<u>167,831</u>
	<u>\$ 866,805</u>

Rent expense for office space for the years ended March 31, 2018 and 2017, was \$131,864 and \$227,548, respectively.

10. SUBSEQUENT EVENTS

CIR has evaluated subsequent events through August 15, 2018, the date on which the financial statements were available to be issued.