



CENTER FOR INDIVIDUAL RIGHTS

FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

CENTER FOR INDIVIDUAL RIGHTS

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MARCH 31, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

To the Board of Directors
Center for Individual Rights

Emphasis of Matter

As discussed in Note 3 of the financial statements, CIR adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
July 31, 2019

Certified Public Accountants

CENTER FOR INDIVIDUAL RIGHTS
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018

Assets	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 4,368,533	\$ 4,298,340
Contribution Receivable	20,000	-
Prepaid Expenses	34,306	18,156
Total Current Assets	4,422,839	4,316,496
Property and Equipment - Net	11,523	19,691
Other Assets		
Deposits	21,615	21,234
Total Assets	\$ 4,455,977	\$ 4,357,421
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 92,869	\$ 86,153
Deferred Rent	3,406	122
Total Current Liabilities	96,275	86,275
Noncurrent Liabilities		
Deferred Rent, Less Current Portion	64,815	68,221
Total Liabilities	161,090	154,496
Net Assets		
Without Donor Restrictions	4,294,887	4,202,925
Total Net Assets	4,294,887	4,202,925
Total Liabilities and Net Assets	\$ 4,455,977	\$ 4,357,421

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Contributions	\$ 1,247,293	\$ -	\$ 1,247,293	\$ 2,016,083	\$ -	\$ 2,016,083
In-Kind Services	310,000	-	310,000	246,389	-	246,389
Attorneys' Fees	229,808	-	229,808	2,106	-	2,106
Investment Income	12,396	-	12,396	2,841	-	2,841
Other Income	1,774	-	1,774	-	-	-
Net Assets Released from Restrictions from Satisfaction of Purpose Restriction	-	-	-	170,881	(170,881)	-
Total Revenues and Other Support	1,801,271	-	1,801,271	2,438,300	(170,881)	2,267,419
Expenses						
Program Services	1,426,140	-	1,426,140	1,750,288	-	1,750,288
General and Administrative	109,380	-	109,380	99,908	-	99,908
Fundraising	173,789	-	173,789	85,472	-	85,472
Total Expenses	1,709,309	-	1,709,309	1,935,668	-	1,935,668
Changes in Net Assets	91,962	-	91,962	502,632	(170,881)	331,751
Net Assets, Beginning of Year	4,202,925	-	4,202,925	3,700,293	170,881	3,871,174
Net Assets, End of Year	\$ 4,294,887	\$ -	\$ 4,294,887	\$ 4,202,925	\$ -	\$ 4,202,925

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	2019				2018			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ -	\$ 29,629	\$ -	\$ 29,629	\$ -	\$ 25,295	\$ -	\$ 25,295
Bank Charges	-	3,298	-	3,298	-	3,908	-	3,908
Depreciation and Amortization	7,125	495	548	8,168	7,915	509	547	8,971
Direct Litigation Expenses	170,326	-	-	170,326	555,917	-	-	555,917
Dues and Subscriptions	3,869	447	9,415	13,731	4,738	-	10,397	15,135
In-Kind Services	310,000	-	-	310,000	246,389	-	-	246,389
Insurance	22,118	5,953	-	28,071	13,770	10,065	-	23,835
Office Expense	1,895	751	-	2,646	1,337	86	92	1,515
Personnel Costs	709,469	49,327	54,590	813,386	662,753	42,602	45,761	751,116
Photocopying and Printing	7,686	770	40,471	48,927	8,737	688	12,093	21,518
Postage and Delivery	3,415	994	52,304	56,713	7,003	950	6,380	14,333
Professional Services	55,377	6,596	1,985	63,958	80,992	7,005	1,621	89,618
Rent and Storage	114,485	7,960	8,809	131,254	116,351	7,479	8,034	131,864
Research	8,258	59	-	8,317	7,984	-	-	7,984
Telephone	8,664	602	667	9,933	7,921	509	547	8,977
Travel and Entertainment	3,453	2,499	5,000	10,952	28,481	812	-	29,293
	<u>\$ 1,426,140</u>	<u>\$ 109,380</u>	<u>\$ 173,789</u>	<u>\$ 1,709,309</u>	<u>\$ 1,750,288</u>	<u>\$ 99,908</u>	<u>\$ 85,472</u>	<u>\$ 1,935,668</u>

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 91,962	\$ 331,751
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	8,168	8,971
<u>(Increase) Decrease in Assets</u>		
Contribution Receivable	(20,000)	-
Prepaid Expenses	(16,150)	2,662
Deposits	(381)	(20)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	6,716	(148,273)
Deferred Rent	(122)	13,654
	70,193	208,745
Net Cash Provided by Operating Activities		
Net Increase in Cash and Cash Equivalents	70,193	208,745
Cash and Cash Equivalents, Beginning of Year	4,298,340	4,089,595
Cash and Cash Equivalents, End of Year	\$ 4,368,533	\$ 4,298,340

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

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 or civil rights. CIR's programs are supported primarily by contributions, attorney's fees, and donated legal services.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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, if purchased, or fair market value if donated. 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

Contributions to CIR, whether received as cash, other assets, in-kind services, or unconditional promises to give, are recognized in the period received at its fair value. CIR categorizes such contributions into net asset class based on donor-imposed restrictions, if any. Donor restrictions may include time and purpose restrictions.

When restrictions have been satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. When

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

restrictions are met in the same fiscal year in which the contribution is received, the contribution is reported as net assets without donor restrictions.

There are no net assets which are temporarily or permanently restricted by donors at March 31, 2019 or 2018.

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. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, rent and storage, and telephone. These expenses are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

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, 2019 and 2018, 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 filing.

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in (Topic 840), *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Earlier application is permitted. CIR management has not evaluated the impact of this ASU on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for

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MARCH 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement (Continued)

the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The ASU is required for annual reporting periods beginning after December 15, 2018, but may be early adopted. CIR management has not evaluated the impact of this ASU on its financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. The ASU may be adopted using either a full retrospective or modified prospective basis. The ASU is required for annual reporting periods beginning after December 15, 2018, but may be early adopted. CIR management has not evaluated the impact of this ASU on its financial statements.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

In the year ended in March 31, 2019, CIR adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

4. 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, 2019 and 2018, CIR exceeded the FDIC and SIPC insured limits by approximately \$3,828,000 and \$3,793,000, respectively. CIR has never experienced any losses because of exceeding the insurance limits.

For the year ended March 31, 2019, approximately 40% of contributions revenue was received from one donor. For the year ended March 31, 2018, approximately 55% of contributions revenue was received from two donors.

As of March 31, 2019, 100% of the contribution receivable was due from one donor.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

5. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2019 and 2018, consisted of the following:

	2019	2018
Furniture, Equipment, and Software	\$ 109,729	\$ 206,789
Leasehold Improvements	18,906	35,752
	128,635	242,541
Less Accumulated Depreciation and Amortization	(117,112)	(222,850)
Net	\$ 11,523	\$ 19,691

6. IN-KIND SERVICES

CIR is a recipient of pro bono legal services for litigation work. The fair value of the pro bono legal services were \$310,000 and \$246,389 for the years ended March 31, 2019 and 2018, respectively. The amounts are reported as revenue in the statements of activities and changes in net assets, and as expense in the statements of functional expenses.

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

CIR's cash flows have seasonal variations due to a concentration of contributions at calendar year end. CIR manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in money market funds.

As of March 31, 2019, the following financial assets and liquidity sources were available for general operating expenditure in the fiscal year ending December 31, 2019.

Total Assets	\$ 4,455,977
Property and Equipment - Net	(11,523)
Deposits	(21,615)
Total Financial Assets and Liquidity Resources Available within One Year	\$ 4,422,839

8. RETIREMENT 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 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 may contribute an additional amount, to substantially all employees.

CIR's contributions to the Plan were \$98,300 and \$95,505 for the years ended March 31, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

9. OPERATING LEASE

CIR has entered into a ninety-month lease agreement for office space that commenced on November 1, 2016, and will expire on April 30, 2024. The new lease includes annual base rent increases of 2.5%. The lease requires minimum lease payments and a prorated share of operating expenses and real estate taxes.

The total of rent payments due under the 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.

As of March 31, 2019, the future minimum lease payments are as follows:

For the Years Ending March 31,

2020	\$ 134,660
2021	138,027
2022	143,935
2023	150,976
2024	154,750
Thereafter	<u>13,082</u>
	<u><u>\$ 735,430</u></u>

10. SUBSEQUENT EVENTS

CIR has evaluated subsequent events through July 31, 2019, the date on which the financial statements were available to be issued.