



CENTER FOR INDIVIDUAL RIGHTS

FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 3, 2020

CENTER FOR INDIVIDUAL RIGHTS
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,598,781	\$ 4,368,533
Contribution Receivable	-	20,000
Bequest Receivable	300,000	-
Prepaid Expenses	37,124	34,306
Total Current Assets	4,935,905	4,422,839
Property and Equipment - Net	8,068	11,523
Other Assets		
Deposits	21,995	21,615
Total Assets	\$ 4,965,968	\$ 4,455,977
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 102,727	\$ 92,869
Deferred Rent	6,772	3,406
Total Current Liabilities	109,499	96,275
Noncurrent Liabilities		
Deferred Rent, Less Current Portion	58,043	64,815
Total Noncurrent Liabilities	58,043	64,815
Total Liabilities	167,542	161,090
Net Assets		
Without Donor Restrictions	4,798,426	4,294,887
Total Net Assets	4,798,426	4,294,887
Total Liabilities and Net Assets	\$ 4,965,968	\$ 4,455,977

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	2020	2019
	Without Donor Restrictions	Without Donor Restrictions
Revenues and Other Support		
Contributions	\$ 1,465,649	\$ 1,247,293
In-Kind Services	85,000	310,000
Attorneys' Fees	319,326	229,808
Investment Income	77,384	12,396
Other Income	859	1,774
Total Revenues and Other Support	1,948,218	1,801,271
Expenses		
Program Services	1,218,031	1,426,140
General and Administrative	134,384	109,380
Fundraising	92,263	173,789
Total Expenses	1,444,679	1,709,309
Changes in Net Assets	503,539	91,962
Net Assets, Beginning of Year	4,294,887	4,202,925
Net Assets, End of Year	\$ 4,798,426	\$ 4,294,887

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	2020				2019			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ -	\$ 27,740	\$ -	\$ 27,740	\$ -	\$ 29,629	\$ -	\$ 29,629
Bank Charges	-	3,707	-	3,707	-	3,298	-	3,298
Depreciation and Amortization	3,026	201	227	3,455	7,125	495	548	8,168
Direct Litigation Expenses	494	-	-	494	170,326	-	-	170,326
Dues and Subscriptions	5,930	-	10,499	16,429	3,869	447	9,415	13,731
In-Kind Legal Services	85,000	-	-	85,000	310,000	-	-	310,000
Insurance	15,902	16,387	-	32,289	22,118	5,953	-	28,071
Miscellaneous	-	6,638	-	6,638	-	-	-	-
Office Expense	135	3,365	-	3,500	1,895	751	-	2,646
Personnel Costs	763,328	50,815	57,260	871,403	709,469	49,327	54,590	813,386
Photocopying and Printing	10,178	674	6,254	17,106	7,686	770	40,471	48,927
Postage and Delivery	1,624	936	7,381	9,941	3,415	994	52,304	56,713
Professional Services	193,314	9,464	1,155	203,933	55,377	6,596	1,985	63,958
Rent and Storage	118,336	7,878	8,877	135,091	114,485	7,960	8,809	131,254
Research	7,043	-	-	7,043	8,258	59	-	8,317
Tax	-	1,097	-	1,097	-	-	-	-
Telephone	8,126	541	610	9,277	8,664	602	667	9,933
Travel and Entertainment	5,595	4,941	-	10,536	3,453	2,499	5,000	10,952
	<u>\$ 1,218,031</u>	<u>\$ 134,384</u>	<u>\$ 92,263</u>	<u>\$ 1,444,679</u>	<u>\$ 1,426,140</u>	<u>\$ 109,380</u>	<u>\$ 173,789</u>	<u>\$ 1,709,309</u>

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 503,539	\$ 91,962
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	3,455	8,168
<u>(Increase) Decrease in Assets</u>		
Contribution Receivable	20,000	(20,000)
Bequest Receivable	(300,000)	-
Prepaid Expenses	(2,818)	(16,150)
Deposits	(380)	(381)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	9,858	6,716
Deferred Rent	(3,406)	(122)
Net Cash Provided by Operating Activities	230,248	70,193
Net Increase in Cash and Cash Equivalents	230,248	70,193
Cash and Cash Equivalents, Beginning of Year	4,368,533	4,298,340
Cash and Cash Equivalents, End of Year	\$ 4,598,781	\$ 4,368,533

See accompanying Notes to Financial Statements.

CENTER FOR INDIVIDUAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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

CENTER FOR INDIVIDUAL RIGHTS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

There are no net assets with donor restrictions at March 31, 2020 or 2019.

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.

Revenue from bequests is recognized as receivables if they are irrevocable, unconditional, and measurable. The estimated bequest amounts are expected to be received within one year and not subject to discounting. CIR views bequests as unusual and infrequent in occurrence.

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, 2020 and 2019, 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.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2018-08

During the year ended March 31, 2020, CIR adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (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 the (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. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2019. The impact of adoption was not material to the financial statements.

CENTER FOR INDIVIDUAL RIGHTS

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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, 2020 and 2019, CIR exceeded the FDIC and SIPC insured limits by approximately \$3,490,000 and \$3,828,000, respectively. CIR has never experienced any losses because of exceeding the insurance limits.

For the year ended March 31, 2020, approximately 45% of contributions revenue was received from two donors. For the year ended March 31, 2019, approximately 40% of contributions revenue was received from one donor.

5. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture, Equipment, and Software	\$ 109,729	\$ 109,729
Leasehold Improvements	<u>18,906</u>	<u>18,906</u>
	128,635	128,635
Less Accumulated Depreciation and Amortization	<u>(120,567)</u>	<u>(117,112)</u>
Net	<u>\$ 8,068</u>	<u>\$ 11,523</u>

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 \$85,000 and \$310,000 for the years ended March 31, 2020 and 2019, 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, 2020 and 2019, the following financial assets and liquidity sources were available for general operating expenditure in the fiscal years ending March 31, 2021 and 2020.

	<u>2020</u>	<u>2019</u>
Total Assets	\$ 4,965,968	\$ 4,455,977
Property and Equipment - Net	(8,068)	(11,523)
Deposits	(21,995)	(21,615)
Prepaid Expenses	<u>(37,124)</u>	<u>(34,306)</u>
Total Financial Assets and Liquidity Resources		
Available within One Year	<u>\$ 4,898,781</u>	<u>\$ 4,388,533</u>

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**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

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 \$95,993 and \$98,300 for the years ended March 31, 2020 and 2019, respectively.

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, 2020, the future minimum lease payments are as follows:

For the Years Ending March 31,

2021	\$ 138,027
2022	143,935
2023	150,976
2024	154,750
Thereafter	13,082
	<u>\$ 600,770</u>

10. SUBSEQUENT EVENTS

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, CIR continues to assess how best to adapt to changed circumstances.

CIR has evaluated subsequent events through August 3, 2020, the date on which the financial statements were available to be issued.