

CENTER FOR INDIVIDUAL RIGHTS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

Center for Individual Rights

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March 31, 2014 and 2013

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Independent Auditors' Report

Board of Directors
Center for Individual Rights

Report on the Financial Statements

We have audited the accompanying statements of the Center for Individual Rights (CIR), which comprise the statements of financial position as of March 31, 2014 and 2013, 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 CIR'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 CIR'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.

Board of Directors
Center for Individual Rights

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, 2014 and 2013, 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
July 18, 2014

Certified Public Accountants

Center for Individual Rights

**Statements of Financial Position
March 31, 2014 and 2013**

	2014	2013
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,589,230	\$ 2,591,138
Investments	1,012	1,011
Contribution Receivable	200,000	-
Accounts Receivable	(33)	13
Prepaid Expenses	34,187	38,351
Total Current Assets	2,824,396	2,630,513
Property and Equipment - At Cost		
Less Accumulated Depreciation and Amortization of \$196,532 and \$193,128, Respectively	15,406	3,675
Other Assets		
Deposits	23,479	22,806
Total Assets	\$ 2,863,281	\$ 2,656,994
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 58,041	\$ 125,861
Deferred Revenue	4,994	-
Total Current Liabilities	63,035	125,861
Long-Term Liabilities		
Security Deposit	4,637	4,637
Accrued Rent	91,148	114,116
Total Liabilities	158,820	244,614
Commitments and Contingencies		
	-	-
Net Assets		
Unrestricted	2,433,121	2,341,040
Temporarily Restricted	271,340	71,340
Total Net Assets	2,704,461	2,412,380
	\$ 2,863,281	\$ 2,656,994

See accompanying Notes to Financial Statements.

Center for Individual Rights

**Statements of Activities and Changes in Net Assets
For the Years Ended March 31, 2014 and 2013**

	<u>2014</u>			<u>2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support						
Grants and Contributions	\$ 1,946,322	\$ 200,000	\$ 2,146,322	\$ 1,317,399	\$ 105,000	\$ 1,422,399
Attorneys' Fees	425,000	-	425,000	-	-	-
Investment Income	976	-	976	2,099	-	2,099
Rent Income	58,954	-	58,954	57,516	-	57,516
Other Income	-	-	-	30	-	30
	<u>2,431,252</u>	<u>200,000</u>	<u>2,631,252</u>	<u>1,377,044</u>	<u>105,000</u>	<u>1,482,044</u>
Total Revenues and Other Support						
Net Assets Released from Restriction	-	-	-	184,065	(184,065)	-
	<u>2,431,252</u>	<u>200,000</u>	<u>2,631,252</u>	<u>1,561,109</u>	<u>(79,065)</u>	<u>1,482,044</u>
Total Revenues and Other Support after Release of Restrictions						
Expenses						
Program Services	1,900,142	-	1,900,142	1,129,383	-	1,129,383
General and Administrative	121,286	-	121,286	143,025	-	143,025
Fundraising	317,743	-	317,743	204,508	-	204,508
	<u>2,339,171</u>	<u>-</u>	<u>2,339,171</u>	<u>1,476,916</u>	<u>-</u>	<u>1,476,916</u>
Total Expenses						
Changes in Net Assets	92,081	200,000	292,081	84,193	(79,065)	5,128
Net Assets, Beginning of Year	2,341,040	71,340	2,412,380	2,256,847	150,405	2,407,252
Net Assets, End of Year	<u>\$ 2,433,121</u>	<u>\$ 271,340</u>	<u>\$ 2,704,461</u>	<u>\$ 2,341,040</u>	<u>\$ 71,340</u>	<u>\$ 2,412,380</u>

See accompanying Notes to Financial Statements.

Center for Individual Rights

Statements of Functional Expenses
For the Years Ended March 31, 2014 and 2013

	2014				2013			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ -	\$ 13,213	\$ -	\$ 13,213	\$ -	16,575	\$ -	\$ 16,575
Bank Charges	-	3,944	-	3,944	-	3,132	-	3,132
Depreciation	2,661	284	459	3,404	2,312	284	453	3,049
Direct Litigation Expenses	836,399	-	-	836,399	112,743	-	-	112,743
Dues and Subscriptions	5,372	-	9,445	14,817	4,146	-	9,113	13,259
Employee Benefits	69,263	7,393	11,951	88,607	55,390	6,811	10,855	73,056
Entertainment	3,270	-	-	3,270	5,789	414	-	6,203
Insurance	24,370	853	1,378	26,601	19,191	719	1,145	21,055
Office Supplies	2,468	263	426	3,157	3,499	389	619	4,507
Parking	2,396	256	413	3,065	5,211	641	1,021	6,873
Payroll Taxes	31,254	3,336	5,393	39,983	35,542	4,370	6,965	46,877
Pension	35,272	3,765	6,086	45,123	20,341	2,501	3,987	26,829
Photocopying and Printing	11,053	187	36,489	47,729	23,860	397	8,063	32,320
Postage and Delivery	3,952	64	105,058	109,074	6,027	70	4,571	10,668
Professional Services	82,403	5,927	7,371	95,701	9,174	7,833	750	17,757
Rent and Storage	218,410	23,312	37,685	279,407	219,080	26,938	42,936	288,954
Research	6,334	-	995	7,329	8,064	-	-	8,064
Salaries	542,414	57,895	93,589	693,898	573,078	70,465	112,312	755,855
Telephone	5,462	575	930	6,967	9,382	1,078	1,718	12,178
Travel	17,389	23	75	17,487	16,554	-	-	16,554
Miscellaneous		(4)	-	(4)	-	408	-	408
	<u>\$ 1,900,142</u>	<u>\$ 121,286</u>	<u>\$ 317,743</u>	<u>\$ 2,339,171</u>	<u>\$ 1,129,383</u>	<u>\$ 143,025</u>	<u>\$ 204,508</u>	<u>\$ 1,476,916</u>

See accompanying Notes to Financial Statements.

Center for Individual Rights

Statements of Cash Flows For the Years Ended March 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Grants and Contributions Received	\$ 1,946,322	\$ 1,572,399
Attorneys' Fees Received	425,000	-
Interest and Dividends Received	302	1,230
Rent Income Received	63,948	52,878
Other Income	46	481
Payments to Vendors, Suppliers, and Employees	(2,422,747)	(1,614,500)
	12,871	12,488
Cash flows from investing activities		
Purchase of Investments	-	(109,079)
Proceeds from Sales of Investments	-	608,345
Purchase of Property and Equipment	(14,779)	(1,197)
	(14,779)	498,069
Net Cash Provided by (Used in) Investing Activities	(14,779)	498,069
Net Increase (Decrease) in Cash and Cash Equivalents	(1,908)	510,557
Cash and Cash Equivalents, Beginning of Year	2,591,138	2,080,581
Cash and cash equivalents, end of year	\$ 2,589,230	\$ 2,591,138
Reconciliation of Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities		
Change in Net Assets		
Adjustments	\$ 292,081	\$ 5,128
Depreciation	3,048	3,048
Net Realized and Unrealized (Gains) Losses on Investments	(1)	(217)
(Increase) Decrease in Assets		
Contribution Receivable	(200,000)	150,000
Accounts Receivable	46	451
Prepaid Expenses	4,164	(809)
Deposits	(673)	(652)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(67,820)	(124,580)
Deferred Revenue	4,994	(4,638)
Accrued Rent	(22,968)	(15,243)
	\$ 12,871	\$ 12,488

See accompanying Notes to Financial Statements.

Center for Individual Rights

Notes to Financial Statements March 31, 2014 and 2013

1. 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, money market funds, and certificates of deposits with initial maturities of three months or less.

Operating funds are held by one financial institution and are insured by the Federal Deposit Insurance Corporation (FDIC) and occasionally the balance in those accounts may exceed the FDIC insurance limit of \$250,000. As of March 31, 2014, CIR held \$569,677 in excess of the FDIC insurance limit. CIR also maintains funds in money market accounts held at another financial institution where funds are insured by the Securities Investor Protection Corporation (SIPC) whose insurance limit is \$100,000 for cash accounts. As of March 31, 2014, CIR held \$1,683,590 in excess of the SIPC insurance limit. CIR has never experienced any losses as a result of exceeding the insurance limits.

Investments

Investments are carried at fair market value, when that value is readily determinable or when the fair value option is elected, as specified in Note 8. Investments represent amounts invested in certificates of deposit having initial maturities of more than three months. Investment income, including realized and unrealized gains and losses is included in the statements of activities and changes in net assets as unrestricted unless the income or loss is restricted by donor or law.

Grants/Contributions and Other Receivables

Management reviews grants and other receivables to determine collectibility. No interest is accrued on receivables. All receivables and grants/contributions pledged are deemed fully collectible and will be collected in the next fiscal year.

Property and Equipment

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

Depreciation 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 any gain or loss is reflected in income.

Center for Individual Rights

Notes to Financial Statements March 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2014 and 2013.

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.

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.

Fair Value Measurements

Accounting principles generally accepted in the United States of America provide a common definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements, but do not require any new fair value measurements. All assets and liabilities required to be measured at fair value are assessed with the following three-tier hierarchy of inputs:

Level 1 - Quoted prices in active markets for identical instruments

Level 2 - Other significant observable inputs

Level 3 - Significant unobservable inputs

All relevant assets and liabilities are Level 1.

Center for Individual Rights

Notes to Financial Statements March 31, 2014 and 2013

2. ORGANIZATION AND TAX STATUS

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. CIR is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CIR is subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. No provision for income tax was required for the years ended March 31, 2014 and 2013. CIR is also exempt from District of Columbia franchise, sales, and property taxes.

CIR follows the accounting policy required under U.S. generally accepted accounting principles for, Accounting for Uncertainty in Income Taxes. It requires that uncertain tax positions be evaluated and the potential impact of an unfavorable outcome of a tax authority's assessment of such uncertain tax position be reflected in the financial statements. From time to time, management must assess the need to accrue or disclose a possible loss contingency for proposed adjustments from various federal and state tax authorities who may audit the organization in the normal course of business. CIR has evaluated its tax reporting and has not reflected any contingent liability for any such potential assessment.

In the event there were any proposed adjustments, any associated penalties and interest would be separately reported. CIR is no longer subject to examinations by relevant tax authorities for years prior to 2010.

3. INVESTMENTS

The fair value of investments as of March 31, 2014 and 2013, is presented below, along with a summary of investment income earned on investments and cash for the years then ended.

	<u>2014</u>	<u>2013</u>
Investments		
Mutual Funds	<u>1,012</u>	<u>1,011</u>
Total	<u>\$ 1,012</u>	<u>\$ 1,011</u>
Investments Income (Loss)		
Interest and Dividends	1,012	1,882
Realized Gains (Losses)	(36)	277
Unrealized Gains (Losses)	-	(60)
Total	<u>\$ 976</u>	<u>\$ 2,099</u>

Center for Individual Rights

**Notes to Financial Statements
March 31, 2014 and 2013**

4. PROPERTY AND EQUIPMENT

Property and equipment at March 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Furniture, Equipment, and Software	\$ 187,955	\$ 172,821
Leasehold Improvements	<u>23,983</u>	<u>23,982</u>
	211,938	196,803
Less Accumulated Depreciation and Amortization	<u>196,532</u>	<u>193,128</u>
Total	<u>\$ 15,406</u>	<u>\$ 3,675</u>

Depreciation expense for the years ended March 31, 2014 and 2013 was \$3,048 and \$3,048, respectively.

5. NET ASSETS

Unrestricted Net Assets

Unrestricted net assets represent that portion of the CIR's net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Time Restrictions	\$ -	\$ -
Purpose Restrictions	<u>271,340</u>	<u>71,340</u>
Total	<u>\$ 271,340</u>	<u>\$ 71,340</u>

6. 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. 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. In addition, CIR may 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. Expenses under the Plan were \$45,122 and \$26,829 for the years ended March 31, 2014 and 2013, respectively.

Center for Individual Rights

Notes to Financial Statements March 31, 2014 and 2013

6. PENSION PLAN (CONTINUED)

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 who have completed a year of service. Employees are neither required nor allowed to make contributions to the profit sharing component of the Plan. CIR bears the entire cost of profit sharing contributions. A profit sharing contribution of \$19,716 was made for year ended March 31, 2014. No contribution was made for year ended March 31, 2013.

7. OPERATING LEASE

In November 2003, CIR extended its lease for office space until October 31, 2016. The lease provides \$3,518 rent abatement in each of the first four months beginning December 1, 2003, and \$3,589 rent abatement in each of the next fourteen months. 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. The lease also provides CIR with an improvement allowance of up to \$33,830, of which \$27,948 was assigned to the new sublease contract.

CIR entered into a new sublease contract with a different subtenant beginning December 2010 through September 2016. The subtenant made a security deposit of \$4,637 at the commencement of the lease in accordance with the sublease contract. Monthly rent payments are made to CIR according to predetermined annual amounts as defined in the contract. The sublease also provides the subtenant with an improvement allotment of up to \$27,948, which is a portion of the allowance granted to CIR in its operating lease.

As of March 31, 2014, the future minimum lease payments and sublease rental receipts are as follows:

	<u>Payments</u>	<u>Receipts</u>	<u>Net</u>
<u>For the Years Ending March 31:</u>			
2015	\$ 299,790	\$ 60,428	\$ 239,362
2016	307,289	61,939	245,350
2017	181,831	31,481	150,350
Total	<u>\$ 788,910</u>	<u>\$ 153,848</u>	<u>\$ 635,062</u>

Rent expense for office space for the years ended March 31, 2014 and 2013 was \$279,407 and \$288,954, respectively. Rental income for office space for the years ended March 31, 2014 and 2013, was \$58,954 and \$57,517, respectively.

Center for Individual Rights

**Notes to Financial Statements
March 31, 2014 and 2013**

8. FAIR VALUE MEASUREMENTS

All assets, liabilities, and investments are Level 1, as all are reported at fair market value based on quoted market prices as provided by the custodians for the portfolios.

9. SUBSEQUENT EVENTS

In preparing these financial statements, management of CIR has evaluated events and transactions that occurred after March 31, 2014, for potential recognition or disclosure in the financial statements. These events and transactions have been evaluated through July 18, 2014. This is the date that the financial statements were available to be issued.