

**NATIONAL SENIOR CITIZENS LAW CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NATIONAL SENIOR CITIZENS LAW CENTER**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2010 AND 2009**

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## Chaconas & Wilson, P.C.

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
National Senior Citizens Law Center  
Washington, DC

We have audited the accompanying statement of financial position of National Senior Citizens Law Center (the Center) as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2009 financial statement and in our report dated September 29, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Senior Citizens Law Center as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Chaconas & Wilson, P.C.*

September 28, 2010

**NATIONAL SENIOR CITIZENS LAW CENTER**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2010 AND 2009**

**ASSETS**

	2010	2009
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2)	\$ 709,870	\$ 356,403
Accounts receivable (Note 2)	6,018	18,477
Grants and contributions receivable (Note 4)	701,248	436,545
Inventory (Note 2)	2,268	2,697
Prepaid expenses	35,235	40,746
Total Current Assets	\$ 1,454,639	\$ 854,868
 <b>PROPERTY AND EQUIPMENT, at cost:</b> (Notes 2 and 5)	 \$ 368,587	 \$ 375,512
Less, Accumulated depreciation	(143,748)	(111,917)
Net property and equipment	\$ 224,839	\$ 263,595
 <b>OTHER ASSETS:</b>		
Deposits	\$ 21,093	\$ 21,093
Total Other Assets	\$ 21,093	\$ 21,093
 <b>TOTAL ASSETS</b>	 \$ 1,700,571	 \$ 1,139,556
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 84,601	\$ 70,581
Accrued vacation	58,082	48,581
Deferred rent and lease incentive, current portion (Note 6)	27,705	27,705
Refundable advances (Note 2)	67,500	23,357
Total Current Liabilities	\$ 237,888	\$ 170,224
 <b>OTHER LIABILITY:</b>		
Deferred rent and lease incentive, net of current portion (Note 6)	219,887	227,015
 <b>TOTAL LIABILITIES</b>	 \$ 457,775	 \$ 397,239
 <b>NET ASSETS:</b> (Note 2)		
Unrestricted	\$ 339,794	\$ 305,974
Temporarily restricted	903,002	436,343
Total Net Assets	\$ 1,242,796	\$ 742,317
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 \$ 1,700,571	 \$ 1,139,556

The accompanying notes are an integral part of this statement.

**NATIONAL SENIOR CITIZENS LAW CENTER**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2010**

**(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
<b>SUPPORT AND REVENUE:</b>				
Grants and contracts	\$ 289,949	\$ 1,593,385	\$ 1,883,334	\$ 1,028,448
Publications	50,244	-	50,244	71,740
Contributions (Note 2)	97,240	-	97,240	99,790
Rent and other income (Note 5)	160,800	-	160,800	141,802
Attorney fees recovered	326,354	-	326,354	340,320
Interest income	7,102	-	7,102	6,069
Net assets released from restriction: satisfaction of program restrictions	<u>1,126,726</u>	<u>(1,126,726)</u>	<u>-</u>	<u>-</u>
 Total Support and Revenue	 <u>\$ 2,058,415</u>	 <u>\$ 466,659</u>	 <u>\$ 2,525,074</u>	 <u>\$ 1,688,169</u>
<b>EXPENSES:</b>				
Program services:				
Grants	\$ 1,474,867	\$ -	\$ 1,474,867	\$ 1,311,802
Litigation	99,221	-	99,221	115,660
Publications	23,728	-	23,728	47,320
Unrestricted programs	15,442	-	15,442	133,412
Total Program Services	<u>\$ 1,613,258</u>	<u>\$ -</u>	<u>\$ 1,613,258</u>	<u>\$ 1,608,194</u>
Supporting Services:				
General and administrative	\$ 203,755	\$ -	\$ 203,755	\$ 181,007
Fundraising	207,582	-	207,582	189,836
Total Supporting Services	<u>\$ 411,337</u>	<u>\$ -</u>	<u>\$ 411,337</u>	<u>\$ 370,843</u>
 Total Expenses	 <u>\$ 2,024,595</u>	 <u>\$ -</u>	 <u>\$ 2,024,595</u>	 <u>\$ 1,979,037</u>
 <b>CHANGE IN NET ASSETS</b>	 <u>\$ 33,820</u>	 <u>\$ 466,659</u>	 <u>\$ 500,479</u>	 <u>\$ (290,868)</u>
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>305,974</u>	 <u>436,343</u>	 <u>742,317</u>	 <u>1,033,185</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u><u>\$ 339,794</u></u>	 <u><u>\$ 903,002</u></u>	 <u><u>\$ 1,242,796</u></u>	 <u><u>\$ 742,317</u></u>

The accompanying notes are an integral part of this statement.

**NATIONAL SENIOR CITIZENS LAW CENTER  
STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

Description	Program Services				Total Program Services	Supporting Services		2010 Total	2009 Total
	Grants	Litigation	Publications	Unrestricted Programs		General and Administrative	Fundraising		
Salaries	\$ 680,545	\$ 59,454	\$ 11,117	\$ 9,063	\$ 760,179	\$ 89,250	\$ 33,351	\$ 882,780	\$ 923,886
Employee benefits	160,440	14,070	2,792	2,512	179,814	17,995	9,706	207,515	222,443
Professional fees	294,341	588	111	93	295,133	28,073	109,208	432,414	306,747
Occupancy and storage	211,318	16,725	3,164	2,633	233,840	30,537	34,361	298,738	307,549
Travel	22,915	425	-	-	23,340	24,359	4,087	51,786	61,754
Office supplies	19,623	1,553	294	245	21,715	2,836	3,936	28,487	30,511
Printing	10,161	495	1,440	79	12,175	1,071	1,055	14,301	18,258
Postage	2,090	156	3,721	10	5,977	117	612	6,706	8,515
Telephone	9,055	547	95	79	9,776	1,077	1,687	12,540	12,390
Library maintenance	15,730	1,113	211	175	17,229	2,032	2,287	21,548	20,268
Insurance	7,849	621	118	98	8,686	1,134	1,276	11,096	10,955
Dues and membership	7,871	323	61	51	8,306	590	664	9,560	9,056
Depreciation & amortization	30,170	2,388	452	376	33,386	4,359	4,906	42,651	43,529
Miscellaneous	2,759	763	152	28	3,702	325	446	4,473	3,176
	<u>\$1,474,867</u>	<u>\$ 99,221</u>	<u>\$ 23,728</u>	<u>\$ 15,442</u>	<u>\$1,613,258</u>	<u>\$ 203,755</u>	<u>\$ 207,582</u>	<u>\$ 2,024,595</u>	<u>\$ 1,979,037</u>

The accompanying notes are an integral part of this statement.

**NATIONAL SENIOR CITIZENS LAW CENTER**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 500,479	\$ (290,868)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	42,651	43,529
Changes in assets and liabilities:		
(Increase)decrease in grants and contributions receivable	(264,703)	113,978
Decrease in accounts receivable	12,459	8,376
Decrease in inventory	429	863
(Increase) decrease in prepaid expenses	5,511	(6,012)
Decrease in deposits	-	369
Increase in accounts payable	14,020	51,337
Increase in accrued vacation	9,501	1,776
Decrease in deferred rent and lease incentive	(7,128)	(1,444)
Increase (decrease) in refundable advances	44,143	(6,462)
	\$ 357,362	\$ (84,558)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(3,895)	(9,119)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 353,467</b>	<b>\$ (93,677)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>356,403</b>	<b>450,080</b>
<b>CASH, END OF YEAR</b>	<b>\$ 709,870</b>	<b>\$ 356,403</b>

The accompanying notes are an integral part of this statement.

**NATIONAL SENIOR CITIZENS LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2010 AND 2009**

Note 1. **Organization:**

National Senior Citizens Law Center (the Center) is a not-for-profit organization incorporated under the laws of the State of California in 1977. The purpose of the Center is to provide legal assistance and support on behalf of low-income elderly individuals. These activities are funded primarily through grants, contracts, publication sales, contributions and attorney fees. The Center's program areas are:

Grants – Grant Support 1) public education and advocacy to protect the rights of vulnerable and poor elderly people who depend on government services for health care and retirement income, particularly under Medicaid, Medicare and social security/social security income.; and to inform seniors of their rights under and the laws regulating long-term care, including nursing homes and assisted living facilities; 2) technical assistance and training for legal services programs and attorneys funded by the Agency on Aging's Title III program and by the Legal Services Corp., as well as Nursing Home Ombudsmen programs and other advocates who seek better care for seniors from publicly-funded programs; and 3) research, analysis and reporting on new developments in laws and policies which may affect the legal rights of seniors.

Litigation – Litigation occurs when all other strategies fail and the issue will set a precedent for broad groups of America's impoverished seniors. The center focuses on federal and state agencies responsible for Medicare, Medicaid, Social Security and SSI -- programs that low-income seniors depend upon. The Center's lawsuit against the Social Security Administration restored \$700 million in Social Security and SSI benefits to more than 200,000 people. Another lawsuit forced the Social Security Administration to make documents accessible for people who are blind. A third lawsuit stopped California from slashing home health services for more than 130,000 beneficiaries. Many beneficiaries have dementia, Alzheimer's or mental illness, and would have been forced to go into nursing homes – something they did not want and that would have cost the state much more. A related lawsuit kept intact benefits for adult day health care centers for 8,000-14,000 Californians, again a less costly service that allows ill and disabled people to stay at home.

Publications – The Center publishes newsletters for poverty law attorneys and others who advocate for seniors. The bi-weekly Washington Report reports on new legal and regulatory developments affecting older Americans, including court cases. The bi-monthly Long-Term Care Reporter reported on legal news affecting consumers in the nursing home industry. The Long-Term Care Reporter was discontinued in February, 2010. Its contents are now included in the Washington Report and disseminated through other electronic means.

Unrestricted Programs – General advocacy, litigation and media relations work similar in purpose to grant-funded work but supported by unrestricted revenue and conducted without any donor restrictions.

**NATIONAL SENIOR CITIZENS LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2010 AND 2009**

Note 2. **Summary of Significant Accounting Policies:**

**Method of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Contributions**

The Center recognizes contribution revenue when an unconditional pledge is made or when cash is received if a pledge was not made. Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted, based on donor intent.

**Accounting for Uncertainty in Income Taxes**

The Center has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, "Income Taxes", which prescribes measurement and disclosure requirements for current and deferred income tax positions, the interpretation provides for a consistent approach in indentifying and reporting uncertain tax provisions. It is management's belief that the Center does not hold any uncertain tax positions.

**Cash Equivalents**

The Center considers all short term investments with original maturities of three months or less to be cash equivalents included in cash.

The Center's demand deposits with financial institutions at times exceeded federally insured limits. The Center has not experienced any loses in such accounts and management believes the organization is not exposed to any significant credit risks.

**Accounts Receivable**

The Center considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is made. If accounts become uncollectable they will be charged to operations when that determination is made. If the allowance method was used instead, the results would not be materially different.

**Furniture and Equipment**

Furniture and equipment are stated at cost. Depreciation is calculated on a straight line basis over a three year or five year estimated useful life. Leasehold improvements and property under capital lease are amortized over the terms of the leases. The Center capitalizes purchases of \$1,000 or more.

**NATIONAL SENIOR CITIZENS LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 2. **Summary of Significant Accounting Policies:** (Continued)

**Inventory**

Inventory is stated at the lower of cost (using first-in, first out method) or net realizable value.

**Refundable Advances**

Fees from contracts in exchange for services received in advance are recorded as refundable advances upon receipt and recognized when the related work is performed.

**Classes of Net Assets**

The Center is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are net assets without a donor imposed time and/or program restriction. The funds are available for general operating purposes.

Temporarily restricted net assets are contributions with donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the accompanying statement of activities as net assets released from restrictions. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions are received.

Permanently restricted net assets must be maintained by the Center in perpetuity. There were no permanently restricted net assets as of June 30, 2010 or 2009.

**Functional Allocation of Expenses**

The allocation of the costs of providing various programs has been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain indirect costs have been allocated to program and supporting activities based on management's estimate of effort devoted to these activities.

**Reclassifications**

Certain reclassifications may have been made to the June 30, 2010 financial statements to make them comparable with the June 30, 2009, 2009 financial statements.

**NATIONAL SENIOR CITIZENS LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 2. **Summary of Significant Accounting Policies:** (Continued)

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:**

Certain 2009 balances have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the financial position or change in assets as previously reported.

**New Accounting Standards**

In May 2009, the Financial Accounting Standards Board (FASB) issued new guidance regarding subsequent events, which establishes the accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the statement of financial position date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements. The Center has adopted and applied the provisions of this standard as of June 30, 2010.

In June 2009, the FASB issued the Accounting Standards Codification and the hierarchy of Generally Accepted Accounting Principles (GAAP). The FASB Accounting Standards Codification (ASC) will be the single source of authoritative U.S. accounting and reporting standards for nongovernmental entities. All other literature not included in the FASB ASC is non-authoritative. The Center has adopted the provisions of this standard as of June 30, 2010.

**NATIONAL SENIOR CITIZENS LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010 AND 2009**

Note 2. **Summary of Significant Accounting Policies:** (Concluded)

**Subsequent Events**

The Center has evaluated all subsequent events through September 29, 2010 which is the date the financial statements were available to be issued. No subsequent events requiring disclosure or reporting were identified.

Note 3. **Tax Status:**

The Center has been recognized as exempt from federal income tax by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation.

Note 4. **Grants and Contributions Receivable:**

All grants and contributions receivables are due in one year or less. As of June 30, 2010 and 2009, the balance of grants and contributions receivables was \$701,248 and \$464,245.

Note 5. **Property and Equipment:**

Property and equipment consisted of the following for the years ended.

	2010	2009
Leasehold Improvements	\$ 277,050	\$ 277,050
Furniture and Equipment	<u>91,537</u>	<u>98,462</u>
Total Property and Equipment, Net	\$ 368,587	\$ 375,512
Less: Accumulated Depreciation	<u>( 143,748)</u>	<u>( 111,917)</u>
Property and Equipment, Net	<u>\$ 224,839</u>	<u>\$ 263,595</u>

Note 6 **Operating Lease Commitment:**

In September 2007, the Center entered into a lease agreement for its headquarters in Washington, DC for a period of 10 years. The lease is set to expire in January 2018. The lease provided for a build out of the space totaling \$255,480. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the rent expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying statements of financial position.

**NATIONAL SENIOR CITIZENS LAW CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)**

**JUNE 30, 2010 AND 2009**

**Note 6 Operating Lease Commitment: (Concluded)**

The Center also leases two office spaces in the state of California and an apartment in Washington, DC under noncancellable operating leases with expiration dates through December 2011.

Future minimum rentals under the lease are as follows for the years ending June 30,:

	<u>Rental Payments</u>	<u>Rental Income</u>	<u>Net</u>
2011	\$ 269,982	\$ 149,596	\$ 120,386
2012	260,073	153,336	106,737
2013	249,836	157,170	92,666
2014	256,082	161,099	94,983
2015	262,484	165,123	97,361
Thereafter	405,227	254,926	150,301
Total	<u>\$ 1,703,684</u>	<u>\$ 1,041,250</u>	<u>\$ 662,434</u>

Total rent expense for the years ended June 30, 2010 and 2009 was \$296,604 and \$304,792, respectively.

**Note 7 Pension Plan:**

The Center sponsors a 403(b) tax deferred annuity retirement plan for all full-time employees. Employees are immediately vested in employer contributions, which are at the discretion of the Center's management and the Board of Directors. During the years ended June 30, 2010 and 2009, the Center contributed 8% of each employee's gross salary. For the years ended June 30, 2010 and 2009, pension expense was \$68,921 and \$71,709 respectively. These amounts are included in employee benefits in the accompanying statement of functional expenses.

**Note 8 Temporarily Restricted Net Assets:**

Temporarily restricted net assets as of June 30, 2010 and 2009 were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Grants Program	<u>\$ 903,002</u>	<u>\$ 436,343</u>

