

**NATIONAL SENIOR CITIZENS LAW CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NATIONAL SENIOR CITIZENS LAW CENTER**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2012 AND 2011**

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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 (NSCLC) as of June 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the NSCLC'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 2011 financial statements and in our report dated September 21, 2011, 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, 2012, 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 27, 2012

**NATIONAL SENIOR CITIZENS LAW CENTER**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2012 AND 2011**

**ASSETS**

	2012	2011
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2)	\$ 486,674	\$ 770,948
Accounts receivable (Note 2)	10,716	4,681
Grants and contributions receivable- current (Note 4)	934,604	815,514
Attorneys Fees Receivable	170,780	13,000
Inventory (Note 2)	-	2,420
Prepaid expenses	35,860	39,586
<b>Total Current Assets</b>	<u>\$ 1,638,634</u>	<u>\$ 1,646,149</u>
<b>PROPERTY AND EQUIPMENT, at cost:</b> (Notes 2 and 5)	\$ 365,225	\$ 359,242
Less, Accumulated depreciation	(200,812)	(163,758)
<b>Net Property and Equipment</b>	<u>\$ 164,413</u>	<u>\$ 195,484</u>
<b>OTHER ASSETS:</b>		
Grants receivable - net of current portion (Note 4)	\$ 252,316	\$ 400,000
Deposits	21,093	21,093
<b>Total Other Assets</b>	<u>\$ 273,409</u>	<u>\$ 421,093</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,076,456</u>	<u>\$ 2,262,726</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 38,157	\$ 84,623
Accrued vacation	52,066	66,502
Deferred rent and lease incentive, current portion (Note 6)	27,705	27,705
Refundable advances (Note 2)	12,775	49,751
<b>Total Current Liabilities</b>	<u>\$ 130,703</u>	<u>\$ 228,581</u>
<b>OTHER LIABILITY:</b>		
Deferred rent and lease incentive, net of current portion (Note 6)	188,067	206,947
<b>TOTAL LIABILITIES</b>	<u>\$ 318,770</u>	<u>\$ 435,528</u>
<b>NET ASSETS:</b> (Notes 2 and 8)		
Unrestricted	\$ 262,841	\$ 177,070
Temporarily restricted	1,494,845	1,650,128
<b>Total Net Assets</b>	<u>\$ 1,757,686</u>	<u>\$ 1,827,198</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,076,456</u>	<u>\$ 2,262,726</u>

The accompanying notes are an integral part of these statements.

**NATIONAL SENIOR CITIZENS LAW CENTER**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2012**

**(WITH COMPARATIVE TOTALS FOR 2011)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>SUPPORT AND REVENUE:</b>				
Grants and contracts	\$ 348,576	\$ 1,008,845	\$ 1,357,421	\$ 2,407,330
Publications	29,411	-	29,411	22,872
Contributions (Note 2)	113,618	-	113,618	109,079
Rent and other income (Note 5)	190,504	-	190,504	162,991
Attorney fees recovered	174,603	-	174,603	13,000
Interest income	209	-	209	862
Net assets released from restriction: satisfaction of program restrictions	<u>1,164,128</u>	<u>(1,164,128)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>\$ 2,021,049</u>	<u>\$ (155,283)</u>	<u>\$ 1,865,766</u>	<u>\$ 2,716,134</u>
<b>EXPENSES:</b>				
Program services:				
Health advocacy	\$ 1,264,339	\$ -	\$ 1,264,339	\$ 1,458,401
Income security advocacy	237,274	-	237,274	274,708
Litigation	108,074	-	108,074	65,915
<b>Total Program Services</b>	<u>\$ 1,609,687</u>	<u>\$ -</u>	<u>\$ 1,609,687</u>	<u>\$ 1,799,024</u>
Supporting Services:				
General and administrative	\$ 140,186	\$ -	\$ 140,186	\$ 171,652
Fundraising	185,405	-	185,405	161,058
<b>Total Supporting Services</b>	<u>\$ 325,591</u>	<u>\$ -</u>	<u>\$ 325,591</u>	<u>\$ 332,710</u>
<b>Total Expenses</b>	<u>\$ 1,935,278</u>	<u>\$ -</u>	<u>\$ 1,935,278</u>	<u>\$ 2,131,734</u>
<b>CHANGE IN NET ASSETS</b>	\$ 85,771	\$ (155,283)	\$ (69,512)	\$ 584,400
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>177,070</u>	<u>1,650,128</u>	<u>1,827,198</u>	<u>1,242,798</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 262,841</u>	<u>\$ 1,494,845</u>	<u>\$ 1,757,686</u>	<u>\$ 1,827,198</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, 2012**

**(WITH COMPARATIVE TOTALS FOR 2011)**

Description	Program Services				Supporting Services		2011 Total
	Health Advocacy	Income Security Advocacy	Litigation	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 583,422	\$ 134,725	\$ 58,309	\$ 776,456	\$ 61,594	\$ 26,230	\$ 864,280
Employee benefits	122,703	30,439	20,702	173,844	16,864	7,697	198,405
Professional fees	231,349	6,410	654	238,413	5,983	101,214	345,610
Occupancy and storage	203,676	41,041	19,057	263,774	19,088	32,218	315,080
Travel	18,675	4,779	29	23,483	28,810	2,825	55,118
Office supplies	20,428	4,116	1,911	26,455	1,914	3,231	31,600
Printing	17,104	1,805	953	19,862	490	1,654	22,006
Postage	1,674	447	185	2,306	88	624	3,018
Telephone	9,740	1,506	754	12,000	588	1,390	13,978
Library maintenance	15,466	2,851	1,962	20,279	1,282	2,273	23,834
Insurance	6,886	1,388	644	8,918	645	1,089	10,652
Dues and membership	7,071	2,502	470	10,043	396	668	11,107
Depreciation & amortization	23,952	4,827	2,241	31,020	2,245	3,789	37,054
Miscellaneous	2,193	438	203	2,834	199	503	3,536
	<u>\$ 1,264,339</u>	<u>\$ 237,274</u>	<u>\$ 108,074</u>	<u>\$ 1,609,687</u>	<u>\$ 140,186</u>	<u>\$ 185,405</u>	<u>\$ 1,935,278</u>
							<u>\$ 2,131,734</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, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (69,512)	\$ 584,400
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,054	41,450
Changes in assets and liabilities:		
(Increase) decrease in grants and contributions receivable	28,594	(514,266)
(Increase) decrease in accounts receivable	(163,815)	(11,663)
(Increase) decrease in inventory	2,420	(152)
(Increase) decrease in prepaid expenses	3,726	(4,351)
Increase in accounts payable	(46,466)	24
Increase in accrued vacation	(14,436)	8,420
Decrease in deferred rent and lease incentive	(18,880)	(12,940)
Decrease in refundable advances	(36,976)	(17,749)
	\$ (278,292)	\$ 73,173
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(5,983)	(12,095)
	\$ (284,274)	\$ 61,078
<b>NET INCREASE (DECREASE) IN CASH</b>		
<b>CASH, BEGINNING OF YEAR</b>	770,948	709,870
<b>CASH, END OF YEAR</b>	\$ 486,674	\$ 770,948

The accompanying notes are an integral part of these statements.

# NATIONAL SENIOR CITIZENS LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 1. **Organization:**

The National Senior Citizens Law Center (NSCLC) is a not-for-profit organization incorporated in 1977 under the laws of the State of California. NSCLC's principal mission is to protect the rights of low-income older adults. Through advocacy, litigation, and the education and counseling of local advocates, we seek to ensure the health and economic security of those with limited income and resources and to preserve their access to the courts. NSCLC receives its support from private foundations as well as from government agencies, individual contributions, publications sales and attorney fees. NSCLC's program areas are:

Health Care Advocacy -NSCLC seeks to ensure that low-income older adults understand and have access to affordable health care and that more people receive long term services and supports at home and in the community. The key federal programs in which we focus our advocacy are: Medicare (with an emphasis on Medicare Part D), and Medicaid. In California, the programs in which we focus are Medi-Cal and the In Home Services and Supports (IHSS) program. In addition, we work on many long term services and supports issues that deal with assisted living, home and community based services, and nursing homes. Our priorities for 2012: (1) Champion consumer protection for those nine million people who have both Medicare and Medicaid (dual eligibles) as new models of care, authorized by the health reform law, are developed (2)Ensure that health reform law provisions related to long term services and supports (LTSS) are implemented to the fullest extent possible and that states use new options to provide home and community based LTSS as an alternative to institutionalization. (3) Decrease health disparities among low income older adults by ensuring effective implementation of language access and data collection provisions of the health reform law.

To achieve its objectives, NSCLC uses advocacy and litigation as well as provides education and counseling to local advocates who work with low-income older adults. NSCLC communicates and assists legal services advocates nationwide via its Web site and through a bi-weekly electronic newsletter (Washington Report) and frequent Health Network Alerts as well as listserv participation, monthly webinars and individual phone help. The consumer booklet 20 Common Nursing Home Problems continues to be downloaded free from the site.

Economic Security Advocacy -NSCLC seeks to preserve, strengthen, expand and improve access to programs such as Social Security and Supplemental Security Income that provide income security to millions of older adults and people with disabilities. Our priorities for 2012 include: (1) Protect Social Security and Supplemental Security Income (SSI) benefits and ensure that settled or decided cases that restored benefits to many elderly poor are not overturned.(2) Strengthen Social Security and update SSI programs and play a lead role in enhancing the programs' language access policies. (3) Gain recognition, acceptance and usage for the Elder Economic Security Index (CPI-E) and end discrimination of lesbian, gay, bi-sexual and transgender couples in Social Security benefits. (4) Improve the Social Security Administration's non-disability appeals process, seek workable policies that ensure proper accommodations for people with disabilities. (5) Extend the time limit for refugees, asylees and other humanitarian immigrants.

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

**JUNE 30, 2012 AND 2011**

**Note 1. Organization: (Concluded)**

Litigation -Historically, NSCLC has used litigation to protect the rights of the nation's low income older adults and frequently those of persons with disabilities as well. In health care, active cases include (1) A lawsuit, brought with lead counsel Center for Medicare Advocacy, that challenges the Medicare program's classification of hospital patients under "observation status.". (2) A class action lawsuit that challenged the state of California's implementation of budget-related cuts to the Adult Day Health Care (AHDC) program, (3) A class action lawsuit that seeks to answer the question: does federal law preempt state reductions in Medicaid payments and (4) Several cases that involved arguing against state challenges to the health reform law. Our active litigation in economic security includes: (1) A case brought against the U.S. Social Security Administration (SSA) challenging its practice of relying exclusively on outstanding probation and parole warrants as sufficient evidence as a basis for denying benefits to 140,000 people. (2) A case in which NSCLC, with others, challenges the constitutionality of the Defense of Marriage Act.

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

**Method of Accounting**

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

**Contributions**

NSCLC 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**

NSCLC 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 identifying and reporting uncertain tax provisions. It is management's belief that NSCLC does not hold any uncertain tax positions.

**Cash Equivalents**

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

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

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

**JUNE 30, 2012 AND 2011**

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

**Accounts Receivable**

NSCLC 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. NSCLC capitalizes purchases of \$1,000 or more.

**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**

NSCLC 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 NSCLC in perpetuity. There were no permanently restricted net assets as of June 30, 2012 or 2011.

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

**JUNE 30, 2012 AND 2011**

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

**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.

**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 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 2011 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.

**Subsequent Events**

NSCLC has evaluated all subsequent events through September 27, 2012, 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:**

NSCLC 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:**

Grants and contribution receivable at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Receivables in less than one year	\$ 934,604	\$ 815,514
Receivables in one to two years	<u>252,316</u>	<u>400,000</u>
	<u>\$ 1,186,920</u>	<u>\$ 1,215,514</u>

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

**JUNE 30, 2012 AND 2011**

**Note 5. Property and Equipment:**

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

	2012	2011
Leasehold Improvements	\$ 277,050	\$ 277,050
Furniture and Equipment	<u>88,175</u>	<u>82,192</u>
Total Property and Equipment, Net	\$ 365,225	\$ 359,242
Less: Accumulated Depreciation	<u>( 200,812)</u>	<u>( 163,758)</u>
Property and Equipment, Net	<u>\$ 164,413</u>	<u>\$ 195,484</u>

**Note 6. Operating Lease Commitment:**

In September 2007, NSCLC 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.

The NSCLC also leases two office spaces in the state of California and an apartment in Washington, DC under noncancellable operating leases with expiration dates through April, 2013.

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

	Rental Payments	Rental Income	Net
2013	264,635	157,170	107,465
2014	256,082	161,099	94,983
2015	262,484	165,123	97,361
2016	269,043	169,254	99,789
2017	<u>136,184</u>	<u>85,672</u>	<u>50,512</u>
Total	<u>\$ 1,188,428</u>	<u>\$ 738,318</u>	<u>\$ 450,110</u>

Total rent expense for the years ended June 30, 2012 and 2011 was \$312,840 and \$298,752, respectively.

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

**JUNE 30, 2012 AND 2011**

**Note 7. Pension Plan:**

NSCLC 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 NSCLC's management and the Board of Directors. During the years ended June 30, 2012 and 2011, NSCLC contributed 8% of each employee's gross salary. For the years ended June 30, 2012 and 2011, pension expense was \$69,306 and \$76,559 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, 2012 and 2011 were available for the following purposes:

	2012	2011
Health Advocacy	\$ 795,287	\$ 1,415,299
Income Security Advocacy	556,303	85,112
Litigation	143,255	149,717
	\$ 1,494,845	\$ 1,650,128

