

NATIONAL SENIOR CITIZENS LAW CENTER

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NATIONAL SENIOR CITIZENS LAW CENTER

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11

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, 2011 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 2010 financial statements and in our report dated September 29, 2010, 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, 2011, 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 21, 2011

NATIONAL SENIOR CITIZENS LAW CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 770,948	\$ 709,870
Accounts receivable (Note 2)	17,681	6,018
Grants and contributions receivable- current (Note 4)	815,514	701,248
Inventory (Note 2)	2,420	2,268
Prepaid expenses	39,586	35,235
Total Current Assets	<u>\$ 1,646,149</u>	<u>\$ 1,454,639</u>
PROPERTY AND EQUIPMENT, at cost: (Notes 2 and 5)	\$ 359,242	\$ 368,587
Less, Accumulated depreciation	(163,758)	(143,748)
Net Property and Equipment	<u>\$ 195,484</u>	<u>\$ 224,839</u>
OTHER ASSETS:		
Grants receivable - net of current portion (Note 4)	\$ 400,000	\$ -
Deposits	21,093	21,093
Total Other Assets	<u>\$ 421,093</u>	<u>\$ 21,093</u>
TOTAL ASSETS	<u>\$ 2,262,726</u>	<u>\$ 1,700,571</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 84,623	\$ 84,599
Accrued vacation	66,502	58,082
Deferred rent and lease incentive, current portion (Note 6)	27,705	27,705
Refundable advances (Note 2)	49,751	67,500
Total Current Liabilities	<u>\$ 228,581</u>	<u>\$ 237,886</u>
OTHER LIABILITY:		
Deferred rent and lease incentive, net of current portion (Note 6)	<u>206,947</u>	<u>219,887</u>
TOTAL LIABILITIES	<u>\$ 435,528</u>	<u>\$ 457,773</u>
NET ASSETS: (Notes 2 and 8)		
Unrestricted	\$ 177,070	\$ 339,796
Temporarily restricted	1,650,128	903,002
Total Net Assets	<u>\$ 1,827,198</u>	<u>\$ 1,242,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,262,726</u>	<u>\$ 1,700,571</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, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
SUPPORT AND REVENUE:				
Grants and contracts	\$ 341,332	\$ 2,065,998	\$ 2,407,330	\$ 1,883,334
Publications	22,872	-	22,872	50,244
Contributions (Note 2)	109,079	-	109,079	97,240
Rent and other income (Note 5)	162,991	-	162,991	160,800
Attorney fees recovered	13,000	-	13,000	326,354
Interest income	862	-	862	7,102
Net assets released from restriction: satisfaction of program restrictions	1,318,872	(1,318,872)	-	-
Total Support and Revenue	\$ 1,969,008	\$ 747,126	\$ 2,716,134	\$ 2,525,074
EXPENSES:				
Program services:				
Health advocacy	\$ 1,458,401	\$ -	\$ 1,458,401	\$ 1,273,030
Income security advocacy	274,708	-	274,708	241,007
Litigation	65,915	-	65,915	99,221
Total Program Services	\$ 1,799,024	\$ -	\$ 1,799,024	\$ 1,613,258
Supporting Services:				
General and administrative	\$ 171,652	\$ -	\$ 171,652	\$ 203,755
Fundraising	161,058	-	161,058	207,582
Total Supporting Services	\$ 332,710	\$ -	\$ 332,710	\$ 411,337
Total Expenses	\$ 2,131,734	\$ -	\$ 2,131,734	\$ 2,024,595
CHANGE IN NET ASSETS	\$ (162,726)	\$ 747,126	\$ 584,400	\$ 500,479
NET ASSETS, BEGINNING OF YEAR	339,796	903,002	1,242,798	742,319
NET ASSETS, END OF YEAR	\$ 177,070	\$ 1,650,128	\$ 1,827,198	\$ 1,242,798

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, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

Description	Program Services				Total Program Services	Supporting Services			2011 Total	2010 Total
	Health Advocacy	Income Security Advocacy	Litigation	General and Administrative		Fundraising	2011 Total	2010 Total		
Salaries	\$ 685,976	\$ 144,112	\$ 40,615	\$ 70,417	\$ 870,703	\$ 38,073	\$ 979,193	\$ 882,780		
Employee benefits	154,547	35,933	8,925	13,620	199,405	10,887	223,912	207,515		
Professional fees	276,755	24,541	373	30,356	301,669	71,300	403,325	432,414		
Occupancy and storage	201,256	40,253	10,493	24,049	252,002	24,571	300,622	298,738		
Travel	31,210	7,416	146	22,116	38,772	2,420	63,308	51,786		
Office supplies	17,732	3,546	924	2,119	22,202	2,910	27,231	28,487		
Printing	18,074	3,860	461	720	22,395	853	23,968	14,301		
Postage	2,158	1,022	233	127	3,413	721	4,261	6,706		
Telephone	10,325	1,917	397	1,441	12,639	1,289	15,369	12,540		
Library maintenance	17,356	3,133	817	1,871	21,306	1,966	25,143	21,548		
Insurance	7,507	1,501	391	897	9,399	916	11,212	11,096		
Dues and membership	5,477	1,482	148	339	7,107	1,387	8,833	9,560		
Depreciation & amortization	27,749	5,550	1,447	3,316	34,746	3,388	41,450	42,651		
Miscellaneous	2,279	442	545	264	3,266	377	3,907	4,473		
	<u>\$ 1,458,401</u>	<u>\$ 274,708</u>	<u>\$ 65,915</u>	<u>\$ 171,652</u>	<u>\$ 1,799,024</u>	<u>\$ 161,058</u>	<u>\$ 2,131,734</u>	<u>\$ 2,024,595</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, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 584,400	\$ 500,479
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,450	42,651
Changes in assets and liabilities:		
(Increase) decrease in grants and contributions receivable	(514,266)	(264,703)
(Increase) decrease in accounts receivable	(11,663)	12,459
(Increase) decrease in inventory	(152)	429
(Increase) decrease in prepaid expenses	(4,351)	5,511
Increase in accounts payable	24	14,020
Increase in accrued vacation	8,420	9,501
Decrease in deferred rent and lease incentive	(12,940)	(7,128)
Increase (decrease) in refundable advances	(17,749)	44,143
	\$ 73,173	\$ 357,362
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(12,095)	(3,895)
	\$ 61,078	\$ 353,467
NET INCREASE (DECREASE) IN CASH		
	709,870	356,403
CASH, BEGINNING OF YEAR		
	\$ 770,948	\$ 709,870
CASH, END OF YEAR	\$ 770,948	\$ 709,870

The accompanying notes are an integral part of these statements.

NATIONAL SENIOR CITIZENS LAW CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 1. **Organization:**

The National Senior Citizens Law Center (NSCLC) is a not-for-profit organization incorporated under the laws of the State of California in 1977. NSCLC's 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, for everyone, keeping the courts open for justice. NSCLC receives grants that support its advocacy, education and counseling work from private foundations, government agencies and from individual contributions, publications sales and attorney fees. NSCLC's program areas are:

Health Advocacy - NSCLC seeks to ensure that low-income older adults understand and have access to affordable health care benefits and medicine and that more people receive long term care at home. The key federal programs in which we focus our advocacy are: Medicare, Medicare Part D, and Medicaid. In California, they 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 2011: 1) Expand the availability of home and community based services as an alternative to institutionalization in a nursing home 2) Break down health disparities such as ensuring that materials created by government agencies are written in more than one language 3) Champion better coordination of care for those 8 million people who have both Medicare and Medicaid 4) Protect Medicaid benefits through advocacy and litigation. 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 and individual phone help. The consumer booklet 20 Common Nursing Home Problems continues to be downloaded free from the site and sold in bulk to advocates.

Income 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 2011 include: 1) Ensuring that Social Security and SSI benefits are protected 2) Making sure that recent cases affecting hundreds of thousands of low income recipients are not overturned 3) Working in coalition to enhance Social Security benefits and make needed improvements to SSI 4) Ensure appropriate implementation and enhancement of its language access policy 5) Gain recognition, acceptance and usage of the Elder Economic Security Index 6) End discrimination against LGBT couples in Social Security 7) Improve the SSA non-disability appeals process, its Section 504 policy and the time limited period of eligibility for SSIS for refugees, asylees and other humanitarian immigrants. We achieve our objectives through litigation, policy advocacy, and technical assistance to advocates including case consultations, training and written materials. NSCLC communicates and assists legal services advocates nationwide via its Web site and through a bi-weekly electronic newsletter (Washington Report) and frequent Income Network Alerts as well as listserv participation and individual phone help.

NATIONAL SENIOR CITIZENS LAW CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

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 a class action lawsuit challenges the state of California's implementation of budget-related cuts to the Adult Day Health Care (AHDC) program, another that challenges the state of California's budget-related cuts to the In-Home Supportive Services (IHSS) program and a Supreme Court case that revolves around the question whether federal law preempts state reductions in Medicaid payments. In terms of income security advocacy, a court in New York has certified a nationwide class in a successful challenge to the Social Security Administration's policy of suspending or denying Social Security and Supplemental Security Income (SSI) benefits whenever someone had an outstanding warrant for an alleged violation of probation or parole. In another case, the SSA agreed to a settlement for the 200,000 member class and agreed that after April 1 2009, it would no longer suspend or deny benefits unless it was in relation to an escape and it had until June 2011 to reach more class members. NSCLC's Federal Rights Project has been active in the state challenges to the health reform law, submitting joint amicus briefs in federal courts where the cases have emerged. The project also has filed amicus briefs in several other cases related to court access.

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 indentifying 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 loses 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, 2011 AND 2010

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, 2011 or 2010.

NATIONAL SENIOR CITIZENS LAW CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

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 2010 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 21, 2011, 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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Receivables in less than one year	\$ 815,514	\$ 701,248
Receivables in one to two years	400,000	---
	<u>\$ 1,215,514</u>	<u>\$ 701,248</u>

NATIONAL SENIOR CITIZENS LAW CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

Note 5. **Property and Equipment:**

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

	<u>2011</u>	<u>2010</u>
Leasehold Improvements	\$ 277,050	\$ 277,050
Furniture and Equipment	82,192	91,537
Total Property and Equipment, Net	\$ 359,242	\$ 368,587
Less: Accumulated Depreciation	(163,758)	(143,748)
Property and Equipment, Net	<u>\$ 195,484</u>	<u>\$ 224,839</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,:

	<u>Rental Payments</u>	<u>Rental Income</u>	<u>Net</u>
2012	\$ 271,634	\$ 153,336	\$ 118,298
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
Thereafter	136,184	85,672	50,512
Total	<u>\$ 1,460,062</u>	<u>\$ 891,654</u>	<u>\$ 568,408</u>

Total rent expense for the years ended June 30, 2011 and 2010 was \$298,752 and \$296,604, respectively.

NATIONAL SENIOR CITIZENS LAW CENTER
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2011 AND 2010

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, 2011 and 2010, NSCLC contributed 8% of each employee's gross salary. For the years ended June 30, 2011 and 2010, pension expense was \$76,559 and \$68,921 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, 2011 and 2010 were available for the following purposes:

	<u>2011</u>	<u>2010</u>
Health Advocacy	\$ 1,415,299	\$ 777,240
Income Security Advocacy	85,112	64,455
Litigation	149,717	61,307
	<u>\$ 1,650,128</u>	<u>\$ 903,002</u>

