

NATIONAL SENIOR CITIZENS LAW CENTER

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NATIONAL SENIOR CITIZENS LAW CENTER

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2013 AND 2012

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Chaconas & Wilson, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Senior Citizens Law Center
Washington, DC

We have audited the accompanying financial statements of the National Senior Citizens Law Center, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year 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 presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 National Senior Citizens Law Center as of June 30, 2013 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the National Senior Citizens Law Center's June 30, 2012 financial statements, and our report dated September 27, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Chambers & Wilson, P.C.

Washington, DC
September 20, 2013

NATIONAL SENIOR CITIZENS LAW CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 1,023,825	\$ 486,674
Accounts receivable (Note 2)	10,999	10,716
Grants and contributions receivable- current (Note 4)	453,253	934,604
Attorneys Fees Receivable	-	170,780
Prepaid expenses	34,903	35,860
Total Current Assets	<u>\$ 1,522,980</u>	<u>\$ 1,638,634</u>
PROPERTY AND EQUIPMENT, at cost: (Notes 2 and 5)	\$ 366,676	\$ 365,225
Less, Accumulated depreciation	(237,010)	(200,812)
Net Property and Equipment	<u>\$ 129,666</u>	<u>\$ 164,413</u>
OTHER ASSETS:		
Grants receivable - net of current portion (Note 4)	\$ 342,316	\$ 252,316
Deposits	21,093	21,093
Total Other Assets	<u>\$ 363,409</u>	<u>\$ 273,409</u>
TOTAL ASSETS	<u>\$ 2,016,055</u>	<u>\$ 2,076,456</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 27,729	\$ 44,265
Accrued vacation	52,459	52,066
Deferred rent and lease incentive, current portion (Note 6)	27,705	27,705
Refundable advances (Note 2)	-	6,667
Total Current Liabilities	<u>\$ 107,893</u>	<u>\$ 130,703</u>
OTHER LIABILITY:		
Deferred rent and lease incentive, net of current portion (Note 6)	<u>163,119</u>	<u>188,067</u>
TOTAL LIABILITIES	<u>\$ 271,012</u>	<u>\$ 318,770</u>
NET ASSETS: (Notes 2 and 8)		
Unrestricted	\$ 525,888	\$ 262,841
Temporarily restricted	1,219,155	1,494,845
Total Net Assets	<u>\$ 1,745,043</u>	<u>\$ 1,757,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,016,055</u>	<u>\$ 2,076,456</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, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
SUPPORT AND REVENUE:				
Grants and contracts	\$ 272,212	\$ 815,567	\$ 1,087,779	\$ 1,357,421
Publications	22,700	-	22,700	29,411
Contributions (Note 2)	327,383	-	327,383	113,618
Rent and other income (Note 6)	194,157	-	194,157	190,504
Attorney fees recovered	116,794	-	116,794	174,603
Interest income	395	-	395	209
Net assets released from restriction: satisfaction of program restrictions	1,091,257	(1,091,257)	-	-
Total Support and Revenue	\$ 2,024,898	\$ (275,690)	\$ 1,749,208	\$ 1,865,766
EXPENSES:				
Program services:				
Health care advocacy	\$ 1,019,005	\$ -	\$ 1,019,005	\$ 1,264,339
Economic security advocacy	322,405	-	322,405	237,274
Litigation	105,665	-	105,665	108,074
Total Program Services	\$ 1,447,075	\$ -	\$ 1,447,075	\$ 1,609,687
Supporting Services:				
General and administrative	\$ 174,845	\$ -	\$ 174,845	\$ 140,186
Fundraising	139,931	-	139,931	185,405
Total Supporting Services	\$ 314,776	\$ -	\$ 314,776	\$ 325,591
Total Expenses	\$ 1,761,851	\$ -	\$ 1,761,851	\$ 1,935,278
CHANGE IN NET ASSETS	\$ 263,047	\$ (275,690)	\$ (12,643)	\$ (69,512)
NET ASSETS, BEGINNING OF YEAR	262,841	1,494,845	1,757,686	1,827,198
NET ASSETS, END OF YEAR	\$ 525,888	\$ 1,219,155	\$ 1,745,043	\$ 1,757,686

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, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

Description	Program Services			Supporting Services			2012 Total
	Health Care Advocacy	Economic Security Advocacy	Litigation	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 513,017	\$ 179,807	\$ 60,027	\$ 752,851	\$ 68,894	\$ 17,223	\$ 838,968
Employee benefits	116,323	40,359	13,984	170,666	21,233	3,979	195,878
Professional fees	115,161	6,156	677	121,994	19,180	82,508	223,682
Occupancy and storage	179,055	61,277	20,087	260,419	29,346	25,203	314,968
Travel	19,147	9,209	846	29,202	26,173	784	56,159
Office supplies	12,555	4,297	1,408	18,260	2,058	2,239	22,557
Printing	6,363	1,628	532	8,523	943	1,232	10,698
Postage	561	449	66	1,076	50	525	1,651
Telephone	16,703	4,744	1,492	22,939	2,122	1,920	26,981
Library maintenance	7,778	2,692	3,231	13,701	4	-	13,705
Insurance	4,667	2,103	566	7,336	827	710	8,873
Dues and membership	5,290	2,022	237	7,549	346	297	8,192
Depreciation & amortization	20,578	7,042	2,309	29,929	3,373	2,896	36,198
Miscellaneous	1,807	620	203	2,630	296	415	3,341
	<u>\$ 1,019,005</u>	<u>\$ 322,405</u>	<u>\$ 105,665</u>	<u>\$ 1,447,075</u>	<u>\$ 174,845</u>	<u>\$ 139,931</u>	<u>\$ 1,761,851</u>
							<u>\$ 1,935,276</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (12,643)	\$ (69,512)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	36,198	37,054
Changes in assets and liabilities:		
Decrease in grants and contributions receivable	391,351	28,594
(Increase) decrease in accounts receivable	170,497	(163,815)
Decrease in inventory	-	2,420
Decrease in prepaid expenses	957	3,726
Decrease in accounts payable	(16,536)	(46,466)
Increase (decrease) in accrued vacation	393	(14,436)
Decrease in deferred rent and lease incentive	(24,948)	(18,880)
Decrease in refundable advances	(6,667)	(36,976)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 538,602</u>	<u>\$ (278,292)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(1,451)</u>	<u>(5,983)</u>
NET INCREASE (DECREASE) IN CASH	\$ 537,151	\$ (284,275)
CASH, BEGINNING OF YEAR	<u>486,674</u>	<u>770,948</u>
CASH, END OF YEAR	<u><u>\$ 1,023,825</u></u>	<u><u>\$ 486,674</u></u>

The accompanying notes are an integral part of these statements.

NATIONAL SENIOR CITIZENS LAW CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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 2013: (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 with a special emphasis on California's implementation of its dual eligible demonstration project (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, multiple 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 2013 include: (1) Update and restore the Supplemental Security Income (SSI) program through educating members of Congress, advocates and others about the problems with the current program; (2) Improve the Social Security Administration's non-disability appeals process, seek workable policies that ensure proper accommodations for people with disabilities; (3) 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; (4) End discrimination of lesbian, gay, bi-sexual and transgender couples in Social Security benefits; (5) Play a lead role in enhancing language access policies for both federal programs; (6) Strengthen Social Security and continue to advocate for adoption of the consumer price index for the elderly (CPI-E).

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

JUNE 30, 2013 AND 2012

Note 1. Organization: (Concluded)

Economic Security Advocacy (Continued) - To achieve our objectives, we use litigation, policy advocacy, and technical assistance to advocates including case consultations, training at outside conference presentations and webinars, as well as publication of written materials.

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. Here are some recent cases in which NSCLC is involved: (1) A settlement in Oster v Lightbourne with the State of California that will prevent devastating cuts to the state's In-Home Supportive Services (IHSS) program; (2) A lawsuit, brought with lead counsel Center for Medicare Advocacy (Bagnall v Sebelius), that challenges the Medicare program's classification of hospital patients under "observation status"; (3) 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 (Clark v Astrue); (4) A case in which NSCLC, with others, challenged the constitutionality of the Defense of Marriage Act that the Supreme Court decided in June 2013 that the Act was unconstitutional (Windsor v US).

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.

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.

Accounts Receivable

Accounts Receivable are recorded at the amount NSCLC expects to collect on balances outstanding at the end of the fiscal year. 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.

NATIONAL SENIOR CITIZENS LAW CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

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

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.

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, 2013 or 2012.

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.

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

JUNE 30, 2013 AND 2012

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

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.

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.

NSCLC'S Form 990, *Return of Organization Exempt from Income Tax*, for the years ended 2010, 2011 and 2012 are subject to examination by the IRS generally for three years after they were filed.

Reclassifications:

Certain 2012 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 20, 2013, 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.

NATIONAL SENIOR CITIZENS LAW CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 4. Grants and Contributions Receivable:

Grants and contribution receivable at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Receivables in less than one year	\$ 453,253	\$ 934,604
Receivables in one to two years	<u>342,316</u>	<u>252,316</u>
	<u>\$ 795,569</u>	<u>\$ 1,186,920</u>

Note 5. Property and Equipment:

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

	<u>2013</u>	<u>2012</u>
Leasehold Improvements	\$ 277,050	\$ 277,050
Furniture and Equipment	<u>89,626</u>	<u>88,175</u>
Total Property and Equipment, Net	\$ 366,676	\$ 365,225
Less: Accumulated Depreciation	<u>(237,010)</u>	<u>(200,812)</u>
Property and Equipment, Net	<u>\$ 129,666</u>	<u>\$ 164,413</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, 2017.

NATIONAL SENIOR CITIZENS LAW CENTER
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2013 AND 2012

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

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>
2014	\$ 287,948	\$ 161,099	\$ 126,849
2015	295,304	165,123	130,181
2016	302,841	169,254	133,587
2017	277,520	173,486	104,034
2018	<u>139,588</u>	<u>87,814</u>	<u>51,774</u>
Total	<u>\$ 1,303,201</u>	<u>\$ 756,776</u>	<u>\$ 546,425</u>

Total rent expense for the years ended June 30, 2013 and 2012 was \$312,501 and \$312,840, respectively.

Note 7. **Retirement 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, 2013 and 2012, NSCLC contributed 8% of each employee's gross salary. For the years ended June 30, 2013 and 2012, retirement expense was \$66,777 and \$69,306 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, 2013 and 2012 were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Health Advocacy	\$ 645,626	\$ 795,287
Economic Security Advocacy	509,035	556,303
Litigation	<u>64,494</u>	<u>143,255</u>
	<u>\$ 1,219,155</u>	<u>\$ 1,494,845</u>

