

**CENTER FOR FAMILY REPRESENTATION, INC**  
**FINANCIAL STATEMENTS**  
**(WITH INDEPENDENT AUDITOR'S REPORT)**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2014 AND 2013**

**CENTER FOR FAMILY REPRESENTATION, INC  
FINANCIAL STATEMENTS  
(WITH INDEPENDENT AUDITOR'S REPORT)  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Center for Family Representation, Inc.

We have audited the accompanying financial statements of Center for Family Representation, Inc. ("CFR") which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, 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.

***Auditor's 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 audit 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 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 Center for Family Representation, Inc. as of December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
Lederer, Levine & Associates, LLC

September 14, 2015

**CENTER FOR FAMILY REPRESENTATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes B and F)	\$ 749,714	\$ 3,494
Accounts receivable, net (Note C)	633,998	1,097,180
Contributions receivable (Note D)	282,100	569,773
Prepaid expenses and other assets	83,252	82,102
Property and equipment (Notes B and E)	243,746	276,748
Security deposits	172,062	172,062
<b>TOTAL ASSETS</b>	<b>\$ 2,164,872</b>	<b>\$ 2,201,359</b>
 <b>LIABILITIES</b>		
Accrued expenses and other payables	\$ 369,780	\$ 308,371
Loan payable (Note G)	500,000	83,725
Line of credit (Note J)	-	187,000
Refundable advances (Note F)	863,494	1,347,232
Deferred rent payable (Note J)	175,661	-
<b>TOTAL LIABILITIES</b>	<b>1,908,935</b>	<b>1,926,328</b>
 <b>COMMITMENTS AND CONTINGENCIES (Note J)</b>		
 <b>NET ASSETS</b>		
Unrestricted	28,437	20,031
Temporarily restricted (Note I)	227,500	255,000
<b>TOTAL NET ASSETS</b>	<b>255,937</b>	<b>275,031</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,164,872</b>	<b>\$ 2,201,359</b>

The accompanying notes are an integral part of these financial statements.

**CENTER FOR FAMILY REPRESENTATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014		2013	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>SUPPORT AND REVENUE - OPERATING</b>				
Contributions - foundations	\$ 552,500	\$ 227,500	\$ 765,105	\$ 255,000
Contributions - other	96,568	-	257,785	-
Special events (net of expenses of \$65,052 in 2014 and \$89,842 in 2013)	313,432	-	341,963	-
Government contracts (Note F)	6,407,735	-	5,707,111	-
Training revenue	32,457	-	27,764	-
Interest	234	-	69	-
Net assets released from restrictions	255,000	(255,000)	92,000	(92,000)
	<u>7,657,926</u>	<u>(27,500)</u>	<u>7,191,797</u>	<u>163,000</u>
<b>TOTAL SUPPORT AND REVENUE - OPERATING</b>				
	7,657,926	(27,500)	7,191,797	163,000
<b>EXPENSES - OPERATING</b>				
Program services	6,531,666	-	6,639,286	-
Management and general	624,350	-	613,520	-
Fundraising and development	317,843	-	335,139	-
	<u>7,473,859</u>	<u>7,473,859</u>	<u>7,587,945</u>	<u>7,587,945</u>
<b>TOTAL EXPENSES - OPERATING</b>				
	7,473,859	7,473,859	7,587,945	7,587,945
<b>CHANGE IN NET ASSETS - OPERATING</b>				
	184,067	(27,500)	(396,148)	163,000
<b>Nonoperating Activities</b>				
Deferred rent expense (Note B)	(175,661)	-	-	-
<b>CHANGE IN NET ASSETS</b>	(175,661)	(175,661)	-	-
	8,406	(27,500)	(396,148)	163,000
<b>CHANGE IN NET ASSETS</b>	(167,255)	(255,160)	(396,148)	163,000
<b>NET ASSETS - BEGINNING OF YEAR</b>	20,031	255,031	416,179	92,000
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 28,437</u>	<u>\$ 227,500</u>	<u>\$ 20,031</u>	<u>\$ 255,000</u>
	<u>28,437</u>	<u>227,500</u>	<u>20,031</u>	<u>255,000</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of these financial statements.

**CENTER FOR FAMILY REPRESENTATION, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013			
	Program Services	Management and General	Fundraising and Development	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 4,703,798	\$ 411,077	\$ 223,559	\$ 4,836,524	\$ 409,733	\$ 234,776	\$ 5,481,033
Payroll taxes and benefits (Note H)	796,841	69,637	37,871	821,538	69,598	39,880	931,016
Total salaries and related costs	5,500,639	480,714	261,430	5,658,062	479,331	274,656	6,412,049
Professional fees	50,948	73,359	1,956	29,643	60,343	298	90,284
Occupancy (Note J)	702,882	61,427	33,407	520,686	40,605	23,218	584,509
Case related expenses	94,158	-	-	88,105	-	-	88,105
Office supplies and expenses	38,523	3,366	1,831	49,162	4,164	2,387	55,713
Equipment and maintenance	35,103	3,068	1,669	39,649	3,358	1,926	44,933
Telephone	87,506	7,648	4,158	94,931	8,042	4,609	107,582
Research services and publications	44,845	-	-	41,449	3,511	2,012	46,972
Travel and conferences	16,129	-	-	18,013	-	-	18,013
Insurance	29,003	2,534	1,379	22,305	7,760	1,083	31,148
Interest (Notes G and J)	15,534	1,358	738	14,501	1,228	704	16,433
Fundraising	-	-	15,616	-	-	21,278	21,278
Other expenses	24,145	836	459	27,248	2,168	1,241	30,657
Depreciation and amortization	46,833	4,093	2,226	35,532	3,010	1,727	40,269
<b>Total Expenses</b>	<b>6,686,248</b>	<b>638,403</b>	<b>324,869</b>	<b>6,639,286</b>	<b>613,520</b>	<b>335,139</b>	<b>7,587,945</b>
Less: Nonoperating expenses (Note B)	154,582	14,053	7,026	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,531,666</b>	<b>\$ 624,350</b>	<b>\$ 317,843</b>	<b>\$ 6,639,286</b>	<b>\$ 613,520</b>	<b>\$ 335,139</b>	<b>\$ 7,587,945</b>

The accompanying notes are an integral part of these financial statements.

**CENTER FOR FAMILY REPRESENTATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (19,094)	\$ (233,148)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	53,152	40,269
Changes in operating assets and liabilities:		
decrease (Increase) in assets:		
Accounts receivable	463,182	(318,398)
Contributions receivable	287,673	(351,356)
Prepaid expenses and other assets	(1,150)	26,688
Security deposits	-	890
increase (Decrease) in liabilities:		
Accrued expenses and other payables	61,409	79,386
Refundable advances	(483,738)	217,255
Deferred rent payable	175,661	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>537,095</b>	<b>(538,414)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment acquisitions	(20,150)	(157,036)
<b>Net Cash Used by Investing Activities</b>	<b>(20,150)</b>	<b>(157,036)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loan payable	1,196,238	542,411
Principal repayments of loan payable	(779,963)	(458,686)
Proceeds from line of credit	2,928,500	4,026,494
Principal repayments of line of credit	(3,115,500)	(3,839,494)
<b>Net Cash Provided by Financing Activities</b>	<b>229,275</b>	<b>270,725</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>746,220</b>	<b>(424,725)</b>
Cash and cash equivalents - beginning of year	3,494	428,219
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 749,714</b>	<b>\$ 3,494</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 17,630	\$ 16,433

The accompanying notes are an integral part of these financial statements.

**CENTER FOR FAMILY REPRESENTATION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note A – Organization and Nature of Activities**

Center for Family Representation, Inc. (“CFR”) was founded in May of 2002 to improve representation for parents involved in child protective proceedings in New York Family Courts. Inadequate representation can result in unnecessary removal of children from indigent families and unnecessarily long stays in foster care. CFR’s mission is to improve outcomes for families involved in the Child Welfare and Family Court systems through legal representation, social services, education, advocacy, research, policy reform and training.

CFR is organized under the Not-for-Profit Corporation Law of the State of New York and has been granted exemption from federal income tax pursuant to Section 501 (c) (3) of the Internal Revenue Code.

**Note B – Summary of Significant Accounting Policies**

**Method of Accounting**

CFR follows accounting principles generally accepted in the United States of America (“U.S. GAAP”), which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

**Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 14, 2015.

**Cash and Cash Equivalents**

CFR considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

**Restricted Contributions**

Contributions are recognized when the donor makes a promise to give to CFR that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for on the straight line basis over the estimated useful lives of the assets. CFR capitalizes property and equipment with a useful life of two years or more and a cost of \$5,000 or more, unless such property and equipment is funded by a grantor, and the grantor retains title to the property and equipment.

**Accounts Receivable**

The Agency’s accounts receivable balances at December 31, 2014 and 2013 includes no allowance for doubtful accounts. Such estimate is based on management’s assessment of the credit worthiness of its clients, current economic conditions and historical information.

**Nonoperating Activities**

CFR considers deferred rent expense to be nonoperating. (See Note J).

**Accounting for Uncertainty in Income Taxes**

CFR’s accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax. CFR is no longer subject to examination by federal tax authorities for fiscal years prior to 2011.



**CENTER FOR FAMILY REPRESENTATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**  
**(continued)**

**Note B – Summary of Significant Accounting Policies (Continued)**

**Fair Value Measurements**

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

U. S. GAAP has established a fair value hierarchy organized into three levels based upon the “input” assumptions used in pricing assets. Level 1 inputs relate to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Note C – Accounts Receivable**

Accounts receivable consist of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Mayor’s Office of Criminal Justice (“MOCJ”)	\$ 451,584	\$ 755,339
New York State Division of Criminal Justice Services (“DCJS”)	84,722	93,471
New York State Office of Court Administration (“OCA”)	72,466	245,443
Other	<u>25,226</u>	<u>2,927</u>
	<u>\$ 633,998</u>	<u>\$ 1,097,180</u>

**Note D – Contributions Receivable**

Contributions receivable at December 31, 2014 and 2013 are all due within one year.

**Note E – Property and Equipment**

Property and equipment consist of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 172,508	\$ 172,508
Furniture and fixtures	168,379	148,229
Equipment	<u>53,114</u>	<u>53,114</u>
	394,001	373,851
Less: accumulated depreciation and amortization	<u>150,255</u>	<u>97,103</u>
	<u>\$ 243,746</u>	<u>\$ 276,748</u>

**Note F – Concentrations**

- 1) For the years ended December 31, 2014 and 2013, approximately 84% and 72%, respectively, of CFR's support and revenue was generated under two government contracts. The contracts are with MOCJ, and both had expiration dates of June 30, 2015. The contracts were renewed on May 7, 2015.

Refundable advances consist of \$863,494 and \$1,347,232 as of December 31, 2014 and 2013, respectively, advanced by MOCJ under the contracts.

- 2) CFR maintains several bank accounts at a bank (J.P. Morgan Chase) which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Although at times CFR's aggregate bank balances may exceed federally insured limits, management believes that credit risk related to these accounts is minimal.

**CENTER FOR FAMILY REPRESENTATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**  
**(continued)**

**Note G – Loan Payable**

On April 25, 2014, CFR executed a loan agreement with a not-for-profit organization. The total amount available under the agreement is \$750,000. Ninety percent of the outstanding debt under this agreement is guaranteed by an unrelated not-for-profit organization. The guaranty was executed April 28, 2014, and has a term of two years. The maturity date of the loan is the earlier of April 30, 2016 or three months prior to the termination of the Guaranty of Payment. The loan bears interest at 3% plus prime (as published in the Wall Street Journal) and is due quarterly. The loan agreement included a number of restrictive covenants, including the prohibition that CFR may not enter into additional or subordinate financing so long as this loan is outstanding. As of December 31, 2014, the outstanding loan balance was \$500,000.

Future annual principal payments are as follows for the years ending after December 31, 2014:

2015	\$ 250,000
2016	<u>250,000</u>
	<u>\$ 500,000</u>

**Note H – Pension Plan**

CFR has established a defined contribution pension plan (the "Plan") covering all employees that have completed six months of employment. Contributions to the Plan are made at the discretion of CFR. No contributions were made to the Plan for the years ended December 31, 2014 and 2013, respectively.

**Note I – Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2014 and 2013 were subject to the following restrictions:

	<u>2014</u>	<u>2013</u>
Time restrictions	\$ 50,000	\$ 70,000
Program restrictions	25,000	
Time and program restrictions	<u>152,500</u>	<u>185,000</u>
	<u>\$ 227,500</u>	<u>\$ 255,000</u>

**Note J – Commitments and Contingencies**

- 1) CFR leases office space under various operating leases that expire on various dates through September, 2027.

Future minimum annual rental commitments under noncancelable rental lease obligations are as follows:

For the years ended December 31, 2015	\$ 704,274
2016	735,492
2017	767,835
2018	798,331
2019	807,404
Thereafter	<u>3,552,970</u>
	<u>\$ 7,366,306</u>

Rent expense amounted to \$670,308 and \$524,442, respectively, for the years ended December 31, 2014 and 2013. In January 2014, one of CFR's landlords agreed to defer rent payments for a six month period, with payments to resume July 1, 2014. The deferred portion of the rent is to be paid over the balance of the lease term. The balance of deferred rent payable as of December 31, 2014 is \$175,661.

- 2) A substantial amount of CFR's revenues are government reimbursements. Revenues and related expenses are subject to audit verification by the funding agencies. The accompanying financial statements make no provision for possible disallowances. Although such disallowances could be substantial in amount, in the opinion of management any actual disallowances would be immaterial.
- 3) CFR has established a bank line of credit with a current borrowing limit of \$450,000. As of December 31, 2014, there were no amounts outstanding under the bank line of credit. Borrowings under this facility bear interest at the bank's LIBOR rate plus 3.25%. To secure this loan, the bank was granted a first priority security interest in all of CFR's assets. The line of credit has no maturity date and is due on demand.