

CENTER FOR FAMILY REPRESENTATION, INC
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016 and 2015, 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.

Basis for Qualified Opinion

As more fully described in Note J to the financial statements CFR records rent expense in accordance with the terms of the lease as it becomes payable. In our opinion, rent expense should be recorded on the straight-line basis over the life of the lease to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of not recording rent expense over the life of the lease on the straight-line basis, as discussed in the preceding paragraph, the financial statement referred to above present fairly, in all material respects, the financial position of Center for Family Representation, Inc. as of December 31, 2016 and 2015, 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.


Lederer, Levine & Associates, LLC

Lyndhurst, NJ
July 13, 2017

**CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 1,619,997	\$ 262,132
Accounts receivable, net (Notes B and C)	883,393	801,054
Contributions receivable (Note D)	113,678	539,658
Prepaid expenses and other assets	105,842	69,451
Property and equipment (Notes B and E)	142,855	190,510
Security deposits	<u>178,700</u>	<u>178,700</u>
TOTAL ASSETS	\$ <u>3,044,465</u>	\$ <u>2,041,505</u>
LIABILITIES		
Accrued expenses and other payables	\$ 318,362	\$ 222,713
Loan payable (Note G)	250,000	250,000
Line of credit (Note J)	-	177,500
Refundable advances (Note B)	1,646,641	1,169,291
Deferred rent payable (Note J)	<u>122,963</u>	<u>149,312</u>
TOTAL LIABILITIES	<u>2,337,966</u>	<u>1,968,816</u>
COMMITMENTS AND CONTINGENCIES (Note J)		
NET ASSETS		
Unrestricted	363,641	(313,856)
Temporarily restricted (Note I)	<u>342,858</u>	<u>386,545</u>
TOTAL NET ASSETS	<u>706,499</u>	<u>72,689</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,044,465</u>	\$ <u>2,041,505</u>

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, 2016 AND 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE				
Contributions - foundations	\$ 159,957	\$ 325,046	\$ 450,456	\$ 260,045
Contributions - other	236,981	-	178,686	126,500
Special events (net of expenses of \$103,288 in 2016 and \$91,756 in 2015)	276,396	-	361,810	-
Government contracts (Note F)	7,131,187	-	5,900,979	-
Training revenue	28,908	-	19,500	-
Interest	457	-	169	-
Net assets released from restrictions	368,733	(368,733)	227,500	(227,500)
TOTAL SUPPORT AND REVENUE	8,202,619	(43,687)	7,139,100	159,045
EXPENSES - OPERATING				
Program services	6,464,113	-	6,440,944	-
Management and general	816,879	-	529,622	-
Fundraising and development	244,130	-	510,827	-
TOTAL EXPENSES	7,525,122	-	7,481,393	-
CHANGE IN NET ASSETS	677,497	(43,687)	(342,293)	159,045
NET ASSETS - BEGINNING OF YEAR	(313,856)	386,545	28,437	227,500
NET ASSETS - END OF YEAR	\$ 363,641	\$ 342,858	\$ (313,856)	\$ 386,545
				72,689

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, 2016 AND 2015**

	2016		2015					
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 4,367,608	\$ 538,806	\$ 86,844	\$ 4,993,258	\$ 4,477,381	\$ 339,886	\$ 261,099	\$ 5,078,366
Payroll taxes and benefits (Note H)	773,361	95,405	15,377	884,143	727,631	55,236	42,432	825,299
Total salaries and related costs	5,140,969	634,211	102,221	5,877,401	5,205,012	395,122	303,531	5,903,665
Professional fees	124,592	51,308	108,475	284,375	67,658	61,178	137,244	266,080
Occupancy (Note J)	724,343	89,358	14,403	828,104	694,148	52,694	40,478	787,320
Case related expenses	128,615	-	-	128,615	105,686	-	-	105,686
Office supplies and expenses	41,082	5,068	817	46,967	48,200	3,658	2,811	54,669
Equipment and maintenance	41,356	5,102	822	47,280	37,554	2,851	2,189	42,594
Telephone	88,747	10,948	1,765	101,460	86,943	6,600	5,068	98,611
Research services and publications	50,420	-	-	50,420	47,596	-	-	47,596
Travel and conferences	19,728	-	-	19,728	22,939	-	-	22,939
Insurance	22,921	8,017	455	31,393	28,688	2,178	1,670	32,536
Interest (Notes G and J)	3,832	473	76	4,381	11,460	870	668	12,998
Fundraising	-	-	13,555	13,555	-	-	13,734	13,734
Other expenses	34,455	7,083	685	42,223	34,472	631	484	35,587
Depreciation and amortization	43,053	5,311	856	49,220	50,588	3,840	2,950	57,378
TOTAL EXPENSES	\$ 6,464,113	\$ 816,879	\$ 244,130	\$ 7,525,122	\$ 6,440,944	\$ 529,622	\$ 510,827	\$ 7,481,393

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 633,810	\$ (183,248)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	49,220	57,378
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(82,339)	(167,056)
Contributions receivable	425,980	(257,558)
Prepaid expenses and other assets	(36,391)	13,801
Security deposits	-	(6,638)
(Decrease) Increase in liabilities:		
Accrued expenses and other payables	95,649	(147,067)
Refundable advances	477,350	305,797
Deferred rent payable	(26,349)	(26,349)
Net Cash Provided (Used) by Operating Activities	1,536,930	(410,940)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	(1,565)	(4,142)
Net Cash Used by Investing Activities	(1,565)	(4,142)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of loan payable	-	(250,000)
Proceeds from line of credit	1,821,926	3,593,000
Principal repayments of line of credit	(1,999,426)	(3,415,500)
Net Cash Used by Financing Activities	(177,500)	(72,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,357,865	(487,582)
Cash and cash equivalents - beginning of year	262,132	749,714
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,619,997	\$ 262,132
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 4,381	\$ 12,998

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

CENTER FOR FAMILY REPRESENTATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 City 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 for not-for-profit organizations 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 July 13, 2017.

Cash and Cash Equivalents

CFR considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts and Contributions Receivable

CFR's accounts and contributions receivable balances at December 31, 2016 and 2015 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.

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.

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.

Revenue Recognition and Refundable Advances

Revenue from government contracts is recorded as income in the period that services are performed. Refundable advances consists of amounts received from government funding sources toward future services.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

Note B – Summary of Significant Accounting Policies (continued)

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.

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.

Note C – Accounts Receivable

Accounts receivable consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mayor's Office of Criminal Justice ("MOCJ")	\$ 495,972	\$ 438,062
New York State Division of Criminal Justice Services ("DCJS")	28,218	84,654
New York State Office of Court Administration ("OCA")	321,069	240,311
New York City Council	-	37,500
Interest on Lawyer Account	37,500	-
Other	<u>634</u>	<u>527</u>
	<u>\$ 883,393</u>	<u>\$ 801,054</u>

Note D – Contributions Receivable

Contributions receivable consist of the following as of December 31, 2016 and 2015:

Unconditional promises to be collected in:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 70,136	\$ 521,845
One to five years	<u>45,833</u>	<u>18,750</u>
	115,969	540,595
Less: discount to present value (with rate of 5%)	<u>(2,291)</u>	<u>(937)</u>
Total	<u>\$ 113,678</u>	<u>\$ 539,658</u>

Note E – Property and Equipment

Property and equipment consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 172,508	\$ 172,508
Furniture and fixtures	174,085	172,521
Equipment	<u>53,114</u>	<u>53,114</u>
	399,707	398,143
Less: accumulated depreciation and amortization	<u>256,852</u>	<u>207,633</u>
	<u>\$ 142,855</u>	<u>\$ 190,510</u>

Note F – Concentrations

- 1) For the years ended December 31, 2016 and 2015, approximately 77% and 70%, respectively, of CFR's support and revenue was from one government funder. The funder is MOCJ, and the current contract with MOCJ expires on June 30, 2018. The contract includes a clause that provides that, at the sole discretion of MOCJ, it may be renewed twice for a period of two years for each renewal.
- 2) CFR maintains several bank accounts at financial institutions which are 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, 2016 AND 2015
(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 original maturity date of the loan was the earlier of April 30, 2016 or three months prior to the termination of the Guaranty of Payment. In April, 2016, the guaranty term was extended to December 31, 2016. 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, 2016, the outstanding loan balance was \$250,000. CFR repaid this loan in May of 2017.

Future annual principal payments are as follows for the years ending after December 31, 2016:

2017	\$ <u>250,000</u>
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Note H – Pension Plan

CFR has established a defined contribution pension plan (the “Plan”) covering all employees who 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 year ended December 31, 2015. Pension expense for the year ended December 31, 2016 amounted to \$79,490.

Note I – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 were subject to the following restrictions:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ -	\$ 125,000
Program restrictions	26,400	29,733
Time and program restrictions	<u>316,458</u>	<u>231,812</u>
	<u>\$ 342,858</u>	<u>\$ 386,545</u>

Note J – Commitments and Contingencies

- 1) CFR leases office space under various operating leases that expire on various dates through September, 2027. CFR also leases equipment under various operating leases with terms that expire through 2019.

CFR records rent expense in accordance with the lease terms, rather than on the straight-line basis as is required under accounting principles generally accepted in the United States of America. If the rent expense had been recorded on the straight-line basis, deferred rent payable would be reflected in the amounts of approximately \$607,000 and \$606,000, as of December 31, 2016 and 2015, respectively. In addition, rent expense would be decreased by approximately \$1,000 and \$32,000, respectively, for the years then ended.

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

For the years ended December 31, 2017	\$ 779,199
2018	805,355
2019	811,020
2020	816,659
2021	662,711
Thereafter	<u>2,073,600</u>
	<u>\$ 5,948,544</u>

Rent expense amounted to \$709,143 and \$677,924, respectively, for the years ended December 31, 2016 and 2015. In January 2014, one of CFR’s landlords agreed to defer rent payments for a six month period, with payments to resume July 1, 2015. 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, 2016 is \$122,963.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

Note J – Commitments and Contingencies (continued)

- 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, 2016, the outstanding balance was \$-0-. 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.