

CENTER FOR FAMILY REPRESENTATION, INC.

Financial Statements
with Independent Auditor's Report

December 31, 2020 and 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

CENTER FOR FAMILY REPRESENTATION, INC.

DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Center for Family Representation, Inc.

We have audited the accompanying financial statements of Center for Family Representation, Inc. ("CFR"), which comprise the statement of financial position as of December 31, 2020, 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 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 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 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 2020 financial statements referred to above present fairly, in all material respects, the financial position of Center for Family Representation, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The financial statements of Center for Family Representation, Inc. as of December 31, 2019, were audited by other auditors whose opinion dated December 8, 2020 on those statements was qualified because CFR accounted for rent expense in accordance with the terms of the lease as it becomes payable. Accounting principles generally accepted in the United States of America require that rent expense should be recorded on the straight-line basis over the life of the lease. As discussed in Note 11, CFR has restated its 2019 financial statements during the current year to account for rent expense on the straight-line basis, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2019 financial statements before the restatement.

As part of our audit of the 2020 financial statements, we also audited adjustments described in Note 11 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of CFR other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

Galleras Robinson CPAs, LLP

New York, New York
September 22, 2021

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019 (Restated)</u>
ASSETS		
Cash and cash equivalents	\$ 1,715,226	\$ 1,129,335
Investments	3,053,853	4,027,190
Accounts receivable, net	1,829,666	1,192,877
Contributions receivable	246,536	142,594
Prepaid expenses and other assets	202,759	200,398
Property and equipment	454,457	332,405
Security deposits	<u>174,100</u>	<u>174,100</u>
Total Assets	<u>\$ 7,676,597</u>	<u>\$ 7,198,899</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other payables	\$ 765,596	\$ 496,180
Deferred rent	341,092	425,426
Refundable advances	<u>1,847,186</u>	<u>1,704,038</u>
Total Liabilities	<u>2,953,874</u>	<u>2,625,644</u>
COMMITMENTS AND CONTINGENCIES		
Net Assets		
Without donor restrictions	4,522,723	4,323,255
With donor restrictions	<u>200,000</u>	<u>250,000</u>
Total Net Assets	<u>4,722,723</u>	<u>4,573,255</u>
Total Liabilities and Net Assets	<u>\$ 7,676,597</u>	<u>\$ 7,198,899</u>

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total (Restated)
SUPPORT AND REVENUE						
Contributions - foundations	\$ 715,690	\$ 200,000	\$ 915,690	\$ 210,419	\$ 250,000	\$ 460,419
Contributions - other	156,445	-	156,445	125,495	-	125,495
Special events (net of expenses of nil in 2020 and \$114,608 in 2019)	273,649	-	273,649	276,272	-	276,272
Government contracts	11,510,288	-	11,510,288	10,956,890	-	10,956,890
Training revenue	14,795	-	14,795	17,400	-	17,400
Interest	16,725	-	16,725	24,075	-	24,075
Net assets released from restrictions	250,000	(250,000)	-	458,500	(458,500)	-
Total Support and Revenue	12,937,592	(50,000)	12,887,592	12,069,051	(208,500)	11,860,551
EXPENSES						
Program services	11,267,443	-	11,267,443	10,160,070	-	10,160,070
Management and general	1,131,455	-	1,131,455	859,932	-	859,932
Fundraising and development	339,226	-	339,226	383,159	-	383,159
Total Expenses	12,738,124	-	12,738,124	11,403,160	-	11,403,160
CHANGE IN NET ASSETS	199,468	(50,000)	149,468	665,891	(208,500)	457,391
NET ASSETS AT BEGINNING OF YEAR	4,323,255	250,000	4,573,255	3,657,364	458,500	4,115,864
NET ASSETS AT END OF YEAR	<u>\$ 4,522,723</u>	<u>\$ 200,000</u>	<u>\$ 4,722,723</u>	<u>\$ 4,323,255</u>	<u>\$ 250,000</u>	<u>\$ 4,573,255</u>

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Fundraising and Development	Total	Program Services (Restated)	Management and General (Restated)	Fundraising and Development (Restated)	Total
Salaries	\$ 7,885,985	\$ 643,071	\$ 215,459	\$ 8,744,515	\$ 6,998,757	\$ 507,714	\$ 250,409	\$ 7,756,880
Payroll taxes and benefits	1,755,992	142,208	47,646	1,945,846	1,374,177	99,688	49,167	1,523,032
Total salaries and related costs	9,641,977	785,279	263,105	10,690,361	8,372,934	607,402	299,576	9,279,912
Professional fees	118,680	244,935	1,382	364,997	158,184	160,425	3,242	321,851
Occupancy	764,875	63,697	18,556	847,128	785,770	56,649	28,279	870,697
Case related expenses	150,478	-	-	150,478	224,672	-	-	224,672
Office supplies and expenses	18,024	1,468	492	19,984	39,969	2,900	1,430	44,299
Equipment and maintenance	71,626	5,834	1,955	79,415	76,456	5,546	2,736	84,738
Telephone	222,564	18,126	6,073	246,763	208,795	15,146	7,470	231,411
Research services and publications	64,559	-	-	64,559	74,081	-	-	74,081
Travel and conferences	16,162	-	-	16,162	50,342	-	-	50,342
Insurance	37,540	-	-	37,540	38,356	-	-	38,356
Fundraising	-	-	45,893	45,893	-	-	38,795	38,795
Other expenses	96,094	6,834	-	102,928	84,924	8,557	-	93,481
Depreciation and amortization	64,864	5,282	1,770	71,916	45,587	3,307	1,631	50,525
TOTAL EXPENSES	\$ 11,267,443	\$ 1,131,455	\$ 339,226	\$ 12,738,124	\$ 10,160,070	\$ 859,932	\$ 383,159	\$ 11,403,160

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019 (Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 149,468	\$ 457,391
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	71,916	50,525
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable, net	(636,789)	3,522,741
Contributions receivable	(103,942)	10,411
Prepaid expenses and other assets	(2,361)	(21,584)
Increase (decrease) in liabilities:		
Accrued expenses and other payables	269,416	(28,909)
Deferred rent	(84,334)	(75,077)
Refundable advances	143,148	(1,205,195)
Net Cash (Used in) Provided by Operating Activities	<u>(193,478)</u>	<u>2,710,303</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(26,663)	(4,027,190)
Proceeds from investments	1,000,000	-
Property and equipment acquisitions	(193,968)	(123,693)
Net Cash Provided by (Used in) Investing Activities	<u>779,369</u>	<u>(4,150,883)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of loan payable	-	(2,303,368)
Net Cash Provided by (Used in) Financing Activities	<u>-</u>	<u>(2,303,368)</u>
Net Change in Cash and Cash Equivalents	585,891	(3,743,948)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,129,335</u>	<u>4,873,283</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,715,226</u>	<u>\$ 1,129,335</u>

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Center for Family Representation, Inc. (CFR) was founded in May 2002. CFR's mission is to support parents whose children are at risk of foster care and youth who are at risk of incarceration. CFR's clients are primarily Black and Brown and challenged by poverty and structural racism. The CFR model provides parents and youth with free legal representation and social work support and we employ system-impacted parents to further support clients. CFR also provides holistic, wrap around representation in criminal defense matters, immigration matters, housing and public benefits matters, and for parents seeking to improve employment opportunities by amending their state records. Recently we added 'Early Defense'—providing advocacy to parents facing a child welfare investigation and youth at risk of arrest. CFR also seeks to improve outcomes for parents and youth through advocacy and policy reform and through extensive training that we provide nationally.

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. CFR receives its principal revenue from government contracts and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

CFR prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Recent Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") "Revenue from Contracts with Customers" (Topic 606) was adopted by CFR for the year ended December 31, 2020. The standard requires that revenue earned from the provision of services be recognized in amounts that reflect the consideration to which CFR expects to be entitled to in exchange for those services. This change had no impact on the change in net assets for the year ended December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements

Fair value is defined as 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. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting CFR's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2020 and 2019, the fair value of CFR's financial instruments, including cash and cash equivalents, accounts receivable, contributions receivable, and accrued expenses and other payables, approximated book value due to the short maturity of these instruments.

Refer to Note 4 - Investments and Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less when acquired, except for cash included in investments.

Investments

Investments are stated at fair value based on quoted market prices. Gains and losses on the sale of investments and investment income are recorded as operating activities and are recognized as increases and decreases in net assets without donor restrictions unless their use is restricted by donor stipulations. Interest and dividends from net assets with donor restrictions are recorded as additions to net assets with donor restrictions until the donors' restrictions are satisfied or those amounts are appropriated for expenditure by CFR in a manner consistent with current laws.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recognized as revenue in the year the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Allowance for Doubtful Accounts

CFR carries its receivables at cost less an allowance for doubtful accounts. CFR estimates the allowance based upon a review of outstanding receivables and historical collection information by customer. Normally, receivables are due within 30 days after the date of the invoice. Receivables more than one year old are considered past due. Receivables are written off when they are deemed to be uncollectible. CFR has determined that no allowance for doubtful accounts is necessary at December 31, 2020 and 2019. CFR does not accrue interest on past due receivables.

Accounts Receivable, Revenues and Refundable Advances

CFR records receivables and revenue from government contracts in the period that services are performed. Refundable advances consist of amounts received from government funding sources toward future services.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Maintenance and repair costs are charged to expense as incurred, and cost of renewals and improvements are capitalized. CFR capitalizes property and equipment with a useful life of two years or more and cost of \$5,000 or more.

Depreciation and amortization are provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

	<u>Estimated Useful Lives</u>
Furniture and fixtures	5 years
Equipment	3 years
Leasehold improvements	10 years

Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

Contributions are provided to CFR either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts and grants, with or without restrictions</i>	
Gifts and grants that depend on CFR overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts and grants, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Expected to be collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service. Purpose restricted contributions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in net assets without donor restrictions.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose.

Functional Allocation of Expenses

Costs incurred in providing CFR's various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Case related expenses, research services and publications, and travel and conference expenses are directly charged to program expenses. Expenses such as salaries, payroll taxes, and employee benefits are allocated on a time and effort basis. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as percentage of employees in each office and department, and time and effort.

Accounting for Uncertainty in Income Taxes

CFR applies the provisions pertaining to uncertain tax provisions (FASB Accounting Standards Codification ("ASC") Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. CFR believes it is no longer subject to income tax examinations for years prior to 2017.

New Accounting Pronouncements

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2020. On June 3, 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which amends the effective dates of the standards on revenue (ASC 606) and leasing (ASC 842) to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the COVID-19 pandemic.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncements - continued

Under ASU 2020-05, FASB deferred the effective date of ASC 842 for private companies, private NFP entities, and public NFP entities. The deferrals apply only if those entities have not yet issued their financial statements (or made their financial statements available for issuance) as of June 3, 2020. For public entities, there are no changes to the effective date; the leasing standard is effective for fiscal years beginning after December 15, 2018, and interim periods therein. For public NFP entities, the leasing standard is effective for fiscal years beginning after December 15, 2019, and interim periods therein. For all other entities, the leasing standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption continues to be permitted in any interim or annual period. If an entity adopts the leasing standard in an interim period, it should reflect such early adoption as of the beginning of the annual period. Management is currently evaluating the impact of this ASU on its financial statements.

3. CONCENTRATIONS

For the years ended December 31, 2020 and 2019, approximately 81% and 87%, respectively, of CFR's support and revenue was from one government funder. The funder is the New York City Mayor's Office of Criminal Justice ("MOCJ"), and the current contract with MOCJ expires on June 30, 2021.

CFR maintains its cash accounts in a commercial bank, which balances are insured by the Federal Deposit Insurance Corporation for up to \$250,000. From time to time, CFR's balances may exceed this limit. CFR has not experienced any losses in such accounts, and management believes that credit risk related to these accounts is minimal.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

CFR measures its investments at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect CFR's own assumptions of market participant valuation (unobservable inputs).

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS – CONTINUED

Items Measured at Fair Value on a Recurring Basis

The following table presents CFR’s assets that are measured at fair value on a recurring basis at December 31, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>As of December 31, 2020</u>				
Cash and cash equivalents	\$ 54,016	\$ -	\$ -	\$ 54,016
Equities	-	-	-	-
U.S. Treasuries	<u>2,999,837</u>	<u>-</u>	<u>-</u>	<u>2,999,837</u>
	<u>\$ 3,053,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,053,853</u>
<u>As of December 31, 2019</u>				
Cash and cash equivalents	\$ 29,575	\$ -	\$ -	\$ 29,575
Equities	6,535	-	-	6,535
U.S. Treasuries	<u>3,991,080</u>	<u>-</u>	<u>-</u>	<u>3,991,080</u>
	<u>\$ 4,027,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,027,190</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
MOCJ	\$ 1,022,652	\$ 856,073
NYS Division of Criminal Justice Services ("DCJS")	56,436	28,218
NYS Office of Court Administration ("OCA")	542,870	222,331
NYS Office of Children and Family Services ("OCFS")	100,000	25,000
The New York State Senate	62,500	31,250
Interest on Lawyer Account	30,000	30,000
NYC Council	9,850	-
Other	<u>5,358</u>	<u>5</u>
	<u>\$ 1,829,666</u>	<u>\$ 1,192,877</u>

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unconditional promises to be collected in:		
Less than one year	<u>\$ 246,536</u>	<u>\$ 142,594</u>

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

7. PROPERTY AND EQUIPMENT

Property and equipment, consists of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 559,142	\$ 480,123
Furniture and fixtures	203,107	203,107
Equipment	<u>182,305</u>	<u>67,356</u>
	944,554	750,586
Less: Accumulated depreciation and amortization	<u>490,097</u>	<u>418,181</u>
	<u>\$ 454,457</u>	<u>\$ 332,405</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$71,916 and \$50,525, respectively.

8. LINE OF CREDIT

CFR has established a bank line of credit with a current borrowing limit of \$450,000. As of December 31, 2020, there was no outstanding balance. 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.

9. COMMITMENTS

CFR leases office space under operating leases that expire on various dates through September 2027. In May 20, 2021, CFR executed a lease renewal to extend the lease agreement until August 31, 2031.

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

<u>Years Ending December 31:</u>	
2021	\$ 637,945
2022	326,400
2023	345,600
2024	345,600
2025	355,200
Thereafter	<u>655,200</u>
	<u>\$ 2,665,945</u>

Rent expense amounted to \$847,128 and \$870,697, respectively, for the years ended December 31, 2020 and 2019.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10. CONTINGENCIES

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.

11. RESTATEMENT AND PRIOR PERIOD ADJUSTMENTS

Net assets without donor restrictions at the beginning of 2019 have been adjusted to reflect deferred rent that had not been recorded in prior years in the amount of \$425,426, which decreased beginning net assets by \$500,503. In addition, the 2019 financial statements have been restated to reflect this correction.

The effect of the restatement on the change in net assets without donor restrictions and financial position as of and for the year ended December 31, 2019 are as follows:

	As previously reported	Restated	Over/(understatement)
Occupancy	\$ 945,774	\$ 870,697	\$ 75,077
Deferred rent	-	425,426	(425,426)
Net Assets	-	-	500,503

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 were subject to the following restrictions:

	<u>2020</u>	<u>2019</u>
Time Restricted	\$ 200,000	\$ 50,000
Home for Good*	-	30,000
Juvenile Justice*	-	170,000
	<u>\$ 200,000</u>	<u>\$ 250,000</u>

*These items are also time restricted.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

12. NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets released from restrictions consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Time Restricted	\$ 50,000	\$ 100,000
Juvenile Justice	170,000	-
Home for Good	30,000	328,500
Employee Self Care	-	30,000
	<u>\$ 250,000</u>	<u>\$ 458,500</u>

13. PENSION PLAN

CFR provides a defined contribution plan for its employees. Contributions are discretionary as determined annually by the Board of Directors. Pension expense for the years ended December 31, 2020 and 2019 amounted to \$368,304 and \$256,078, respectively.

14. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

CFR typically receives advances on its largest government contract, and thereafter receives contract payments monthly, thereby providing a steady inflow of funds during the year. CFR's expenditures are not subject to significant seasonal fluctuations.

CFR manages its liquidity by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs. To achieve these targets, management forecasts its future cash flows and monitors its liquidity monthly. CFR maintains a line of credit (see Note 8) and also is permitted to obtain loans from The Fund for The City of New York in the event that there are delays in payments from certain of its government contracts.

As of December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and purchases of property and equipment, were as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,715,226	\$ 1,129,335
Investments	3,053,853	4,027,190
Accounts receivable, net	1,829,666	1,192,877
Contributions receivable	<u>246,536</u>	<u>142,594</u>
	6,845,281	6,491,996
Net assets with donor restrictions	<u>(200,000)</u>	<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,645,281</u>	<u>\$ 6,241,996</u>

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

15. RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on CFR's operations and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, CFR is currently unable to fully determine the extent of COVID-19's impact on its operations in future periods. CFR's performance in future periods will be influenced by the timing, length, and intensity of the economic recoveries in the United States. CFR continues to monitor evolving economic and general business conditions and the actual and potential impacts in its financial position and results of operations.

16. REVENUE FROM PAYMENT PROTECTION PROGRAM

Included in contributions and grants is \$1,875,700 which CFR received in 2020 in the form of a Payroll Protection Program ("PPP") loan. The PPP regulations established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The CARES Act is administered through the U.S. Small Business Administration ("SBA").

CFR believes that the PPP loan, in substance, is similar in character to a government grant. The funding was provided to support the CFR and, if conditions are met, the grant will be forgiven. Based on the CFRs understanding of the funding, the bank or SBA cannot deny forgiveness if they meet the criteria, therefore, they believe this funding is more similar to a government grant.

CFR believes that it met the conditions for forgiveness under the Act prior to December 31, 2020, which is the basis for recording the revenue in these financial statements in accordance with the FASB ASC 958-605, NFP: Revenue Recognition. On August 24, 2021, CFR received a formal approval of the forgiveness by the lender.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through September 22, 2021, the date that the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure, except as follows:

In January 2021, CFR entered into a \$1,776,722 loan agreement with a financial institution under the Program, established by the federal government and administered by the SBA. CFR will primarily be utilizing the Program loan for payroll costs and anticipates that a large portion of the loan will be forgiven. In April 2022, equal monthly installments of principal and interest are scheduled to commence, which are to include interest payable at the rate of 0.98% per annum. The loan is set to mature in January 2026; however, CFR anticipates applying for forgiveness and repaying the unforgiven balance during 2022.