

CENTER FOR FAMILY REPRESENTATION, INC.

Financial Statements
with Independent Auditor's Report

December 31, 2021 and 2020

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

CENTER FOR FAMILY REPRESENTATION, INC.

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFR as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFR and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CFR's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CFR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Galleros Robinson CPAs, LLP

New York, New York
June 9, 2022

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 808,764	\$ 1,715,226
Investments	3,564,616	3,053,853
Accounts receivable, net	5,331,980	1,829,666
Contributions receivable	180,020	246,536
Prepaid expenses and other assets	120,991	202,759
Property and equipment, net	542,132	454,457
Security deposits	<u>174,100</u>	<u>174,100</u>
Total Assets	<u>\$ 10,722,603</u>	<u>\$ 7,676,597</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other payables	\$ 662,166	\$ 765,596
Deferred rent	300,254	341,092
Loans payable	4,085,859	-
Refundable advances	<u>392,146</u>	<u>1,847,186</u>
Total Liabilities	<u>5,440,425</u>	<u>2,953,874</u>
Net Assets		
Without donor restrictions	5,052,178	4,522,723
With donor restrictions	<u>230,000</u>	<u>200,000</u>
Total Net Assets	<u>5,282,178</u>	<u>4,722,723</u>
Total Liabilities and Net Assets	<u>\$ 10,722,603</u>	<u>\$ 7,676,597</u>

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions - foundations	\$ 338,723	\$ 230,000	\$ 568,723	\$ 715,690	\$ 200,000	\$ 915,690
Contributions - other	269,598	-	269,598	156,445	-	156,445
Special events	230,204	-	230,204	273,649	-	273,649
Government contracts	11,944,346	-	11,944,346	11,510,288	-	11,510,288
Training revenue	14,888	-	14,888	14,795	-	14,795
Interest	1,949	-	1,949	16,725	-	16,725
Net assets released from restrictions	200,000	(200,000)	-	250,000	(250,000)	-
Total Support and Revenue	12,999,708	30,000	13,029,708	12,937,592	(50,000)	12,887,592
EXPENSES						
Program services	10,874,025	-	10,874,025	11,267,443	-	11,267,443
Management and general	1,299,385	-	1,299,385	1,131,455	-	1,131,455
Fundraising and development	296,843	-	296,843	339,226	-	339,226
Total Expenses	12,470,253	-	12,470,253	12,738,124	-	12,738,124
CHANGE IN NET ASSETS	529,455	30,000	559,455	199,468	(50,000)	149,468
NET ASSETS, BEGINNING OF YEAR	4,522,723	200,000	4,722,723	4,323,255	250,000	4,573,255
NET ASSETS, END OF YEAR	\$ 5,052,178	\$ 230,000	\$ 5,282,178	\$ 4,522,723	\$ 200,000	\$ 4,722,723

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 7,725,602	\$ 809,374	\$ 165,340	\$ 8,700,316	\$ 7,885,985	\$ 643,071	\$ 215,459	\$ 8,744,515
Payroll taxes and benefits	1,484,922	155,571	31,780	1,672,273	1,755,992	142,208	47,646	1,945,846
Total salaries and related costs	9,210,524	964,945	197,120	10,372,589	9,641,977	785,279	263,105	10,690,361
Professional fees	120,408	186,335	60,804	367,547	118,680	244,935	1,382	364,997
Occupancy	775,068	81,200	16,588	872,856	764,875	63,697	18,556	847,128
Case related expenses	258,331	-	-	258,331	150,478	-	-	150,478
Office supplies and expenses	9,738	1,020	209	10,967	18,024	1,468	492	19,984
Equipment and maintenance	67,176	7,038	1,438	75,652	71,626	5,834	1,955	79,415
Telephone	209,648	21,964	4,487	236,099	222,564	18,126	6,073	246,763
Research services and publications	70,655	-	-	70,655	64,559	-	-	64,559
Travel and conferences	12,168	1,271	260	13,699	16,162	-	-	16,162
Insurance	40,359	4,228	864	45,451	37,540	-	-	37,540
Fundraising	-	-	12,936	12,936	-	-	45,893	45,893
Other expenses	34,869	24,565	744	60,178	96,094	6,834	-	102,928
Depreciation and amortization	65,081	6,819	1,393	73,293	64,864	5,282	1,770	71,916
Total Expenses	\$ 10,874,025	\$ 1,299,385	\$ 296,843	\$ 12,470,253	\$ 11,267,443	\$ 1,131,455	\$ 339,226	\$ 12,738,124

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 559,455	\$ 149,468
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	73,293	71,916
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable, net	(3,502,314)	(636,789)
Contributions receivable	66,516	(103,942)
Prepaid expenses and other assets	81,768	(2,361)
Increase (decrease) in liabilities:		
Accrued expenses and other payables	(103,430)	269,416
Deferred rent	(40,838)	(84,334)
Refundable advances	(1,455,040)	143,148
Net Cash Used in Operating Activities	<u>(4,320,590)</u>	<u>(193,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,010,763)	(26,663)
Proceeds from investments	500,000	1,000,000
Property and equipment acquisitions	<u>(160,968)</u>	<u>(193,968)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(671,731)</u>	<u>779,369</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan	<u>4,085,859</u>	-
Net Cash Provided by Financing Activities	<u>4,085,859</u>	-
Net Change in Cash and Cash Equivalents	(906,462)	585,891
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,715,226</u>	<u>1,129,335</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 808,764</u>	<u>\$ 1,715,226</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

No taxes or interest were paid during the years ended December 31, 2021 and 2020, respectively.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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 and Presentation

The financial statements of CFR have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require CFR to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CFR. These net assets may be used at the discretion of CFR's management and the board of directors.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors and granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CFR or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

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. 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, 2021 and 2020. 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

Paycheck Protection Program (PPP) Loans Payable

For the year ended December 31, 2021, CFR recognized proceeds from the PPP loan payable as debt in accordance with FASB ASC 470, Debt. For purposes of derecognition of the liability FASB ASC 470-50-15-4 refers to guidance in FASB ASC 405-20. The proceeds from each loan would remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been “legally released” or (2) the debtor pays off the loan to the creditor. Interest should be accrued in accordance with the interest method under FASB ASC 835-30. See Note 9. For the year ended December 31, 2020, CFR recognized revenue in the amount of \$1,875,700 from the PPP loan received in that year as a conditional contribution in accordance with ASC 958-605, as it believes that it met the conditions for forgiveness.

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

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions - Continued

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.

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 2018.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncements

Accounting for Leases

On February 25, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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, 2021.

CFR has not yet determined if this ASU will have a material effect on its financial statements.

3. CONCENTRATIONS

For the years ended December 31, 2021 and 2020, approximately 81% of CFR’s support and revenue was from one government funder for both years. The funder is the New York City Mayor’s Office of Criminal Justice (“MOCJ”), and the current contract with MOCJ expires on June 30, 2022.

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, 2021 and 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>As of December 31, 2021</u>				
Cash and cash equivalents	\$ 3,564,616	\$ -	\$ -	\$ 3,564,616
	<u>\$ 3,564,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,564,616</u>
<u>As of December 31, 2020</u>				
Cash and cash equivalents	\$ 54,016	\$ -	\$ -	\$ 54,016
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>

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
MOCJ	\$ 3,597,195	\$ 1,022,652
NYC Council	844,666	9,850
GFP Real Estate	430,000	-
NYS Office of Court Administration (“OCA”)	354,331	542,870
DASNY	43,541	-
NYS Division of Criminal Justice Services (“DCJS”)	28,218	56,436
Interest on Lawyer Account	15,000	30,000
NYS Office of Children and Family Services (“OCFS”)	-	100,000
The New York State Senate	-	62,500
Others	<u>19,029</u>	<u>5,358</u>
	<u>\$ 5,331,980</u>	<u>\$ 1,829,666</u>

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unconditional promises to be collected in:		
Less than one year	<u>\$ 180,020</u>	<u>\$ 246,536</u>

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 688,883	\$ 559,142
Furniture and fixtures	203,107	203,107
Equipment	<u>213,533</u>	<u>182,306</u>
	1,105,523	944,555
Less: Accumulated depreciation and amortization	<u>563,391</u>	<u>490,098</u>
	<u>\$ 542,132</u>	<u>\$ 454,457</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$73,293 and \$71,916, respectively.

8. LINE OF CREDIT

CFR has established a bank line of credit with a borrowing limit of \$450,000. As of December 31, 2021, 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.

On February 16, 2022, this line of credit was replaced by a new line of credit with a borrowing limit of \$2,000,000. Borrowings are subject to interest at the bank's adjusted SOFR rate plus 4.151%. The line of credit is set to mature on or before February 16, 2023. Any further extension and renewal of this line of credit is solely at the discretion of the bank.

9. LOANS PAYABLE

Included in loans payable are the following items:

- **Short-term loans from the Fund for the City of New York**

During the year 2021, CFR received four emergency loans from the Fund for the City of New York for a total of \$2,309,137 to cover operating expenses pending receipt of funds from the MOCJ. The loans are unsecured and non-interest bearing and to be repaid within 30 to 60 calendar days. The outstanding loan balance as of December 31, 2021 was \$2,309,137. The loan balances were repaid in May 2022.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

9. LOANS PAYABLE – CONTINUED

• **Paycheck Protection Program (PPP) Loan**

In January 2021, CFR received a forgivable loan amounting to \$1,776,722 under the Paycheck Protection Program (“PPP”), which CFR recognized as a financial liability (debt). The PPP, established as part of the 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 loan and accrued interest are forgivable after 24 weeks as long as the loan proceeds are used for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

In July 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, on May 31, 2022, CFR paid the principal and interest of \$1,776,722 and \$22,926, respectively.

10. COMMITMENTS

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

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

Years ending December 31:

2022	\$ 880,963
2023	911,224
2024	922,506
2025	943,614
2026	987,953
Thereafter	<u>3,438,211</u>
	<u>\$ 8,084,471</u>

Rent expense amounted to \$780,239 and \$847,128 for the years ended December 31, 2021 and 2020, respectively.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

11. 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.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 were subject to the following restrictions:

	<u>2021</u>	<u>2020</u>
Time Restricted	\$ 30,000	\$ 200,000
Juvenile Justice*	<u>200,000</u>	<u>-</u>
	<u>\$ 230,000</u>	<u>\$ 200,000</u>

*These items are also time restricted.

Net assets released from restrictions consisted of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Time Restricted	\$ 200,000	\$ 50,000
Juvenile Justice	-	170,000
Home for Good	<u>-</u>	<u>30,000</u>
	<u>\$ 200,000</u>	<u>\$ 250,000</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, 2021 and 2020 amounted to \$322,666 and \$368,304, 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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

14. FINANCIAL ASSETS AND LIQUIDITY RESOURCES – CONTINUED

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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 808,764	\$ 1,715,226
Investments	3,564,616	3,053,853
Accounts receivable, net	5,331,980	1,829,666
Contributions receivable	<u>180,020</u>	<u>246,536</u>
	9,885,380	6,845,281
Less:		
Net assets with donor restrictions	<u>(230,000)</u>	<u>(200,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,655,380</u>	<u>\$ 6,645,281</u>

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, the CFR is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. CFR's performance in future periods will be heavily 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 on its financial position and results of operations.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through June 9, 2022, the date that the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.