

CENTER FOR FAMILY REPRESENTATION, INC.

Financial Statements
with Independent Auditor's Report

December 31, 2022 and 2021

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

CENTER FOR FAMILY REPRESENTATION, INC.

DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS	Page
Independent Auditor's Report	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-17



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, 2022 and 2021, 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, 2022 and 2021, 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.

Adoption of New Accounting Principle

As discussed in Note 2 to the financial statements, in 2022, CFR adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

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
October 24, 2023

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,173,848	\$ 808,764
Investments	2,829,712	3,564,616
Accounts receivable, net	8,473,857	5,331,980
Contributions receivable, net	169,350	180,020
Prepaid expenses and other assets	138,854	120,991
Property and equipment, net	726,722	542,132
Operating right-of-use assets	11,753,899	-
Security deposits	199,600	174,100
	<u>25,465,842</u>	<u>10,722,603</u>
Total Assets	<u>\$ 25,465,842</u>	<u>\$ 10,722,603</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses and other payables	\$ 708,818	\$ 662,166
Deferred rent	-	300,254
Loans payable	3,591,324	4,085,859
Operating lease liability	12,220,646	-
Refundable advances	283,867	392,146
	<u>16,804,655</u>	<u>5,440,425</u>
Total Liabilities	<u>16,804,655</u>	<u>5,440,425</u>
Net Assets		
Without donor restrictions	8,326,187	5,052,178
With donor restrictions	335,000	230,000
	<u>8,661,187</u>	<u>5,282,178</u>
Total Net Assets	<u>8,661,187</u>	<u>5,282,178</u>
Total Liabilities and Net Assets	<u>\$ 25,465,842</u>	<u>\$ 10,722,603</u>

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions - foundations	\$ 512,309	\$ 335,000	\$ 847,309	\$ 338,723	\$ 230,000	\$ 568,723
Contributions - other	114,033	-	114,033	269,598	-	269,598
Special events (net of related expenses of \$103,266 in 2022 and \$0 in 2021)	538,907	-	538,907	230,204	-	230,204
Government contracts	17,342,309	-	17,342,309	11,944,346	-	11,944,346
Training revenue	12,300	-	12,300	14,888	-	14,888
Other income	40,223	-	40,223	1,949	-	1,949
Net assets released from restrictions	<u>230,000</u>	<u>(230,000)</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
Total Support and Revenue	<u>18,790,081</u>	<u>105,000</u>	<u>18,895,081</u>	<u>12,999,708</u>	<u>30,000</u>	<u>13,029,708</u>
EXPENSES						
Program services	13,743,800	-	13,743,800	10,874,025	-	10,874,025
Management and general	1,408,909	-	1,408,909	1,299,385	-	1,299,385
Fundraising and development	<u>363,363</u>	<u>-</u>	<u>363,363</u>	<u>296,843</u>	<u>-</u>	<u>296,843</u>
Total Expenses	<u>15,516,072</u>	<u>-</u>	<u>15,516,072</u>	<u>12,470,253</u>	<u>-</u>	<u>12,470,253</u>
CHANGE IN NET ASSETS	3,274,009	105,000	3,379,009	529,455	30,000	559,455
NET ASSETS, BEGINNING OF YEAR	<u>5,052,178</u>	<u>230,000</u>	<u>5,282,178</u>	<u>4,522,723</u>	<u>200,000</u>	<u>4,722,723</u>
NET ASSETS, END OF YEAR	<u>\$ 8,326,187</u>	<u>\$ 335,000</u>	<u>\$ 8,661,187</u>	<u>\$ 5,052,178</u>	<u>\$ 230,000</u>	<u>\$ 5,282,178</u>

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 9,558,594	\$ 851,039	\$ 207,535	\$ 10,617,168	\$ 7,725,602	\$ 809,374	\$ 165,340	\$ 8,700,316
Payroll taxes and benefits	<u>1,921,102</u>	<u>118,563</u>	<u>38,716</u>	<u>2,078,381</u>	<u>1,484,922</u>	<u>155,571</u>	<u>31,780</u>	<u>1,672,273</u>
Total salaries and related costs	11,479,696	969,602	246,251	12,695,549	9,210,524	964,945	197,120	10,372,589
Professional fees	145,551	190,899	3,597	340,047	120,408	186,335	60,804	367,547
Occupancy	1,106,568	60,482	24,347	1,191,397	775,068	81,200	16,588	872,856
Case related expenses	216,078	854	27	216,959	258,331	-	-	258,331
Office supplies and expenses	31,426	2,477	938	34,841	9,738	1,020	209	10,967
Equipment and maintenance	284,809	74,952	2,776	362,537	67,176	7,038	1,438	75,652
Telephone	226,019	19,412	3,148	248,579	209,648	21,964	4,487	236,099
Research services and publications	56,142	50	-	56,192	70,655	-	-	70,655
Travel and conferences	39,650	1,470	17	41,137	12,168	1,271	260	13,699
Insurance	35,668	30,148	-	65,816	40,359	4,228	864	45,451
Fundraising	-	-	183,553	183,553	-	-	12,936	12,936
Other expenses	35,607	43,021	501	79,129	34,869	24,565	744	60,178
Bad debts	-	10,000	-	10,000	-	-	-	-
Depreciation and amortization	<u>86,586</u>	<u>5,542</u>	<u>1,474</u>	<u>93,602</u>	<u>65,081</u>	<u>6,819</u>	<u>1,393</u>	<u>73,293</u>
	13,743,800	1,408,909	466,629	15,619,338	10,874,025	1,299,385	296,843	12,470,253
Less: Expenses deducted directly from support and revenue on the statements of activities	-	-	(103,266)	(103,266)	-	-	-	-
Total Expenses	<u>\$ 13,743,800</u>	<u>\$ 1,408,909</u>	<u>\$ 363,363</u>	<u>\$ 15,516,072</u>	<u>\$ 10,874,025</u>	<u>\$ 1,299,385</u>	<u>\$ 296,843</u>	<u>\$ 12,470,253</u>

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,379,009	\$ 559,455
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	93,602	73,293
Bad debts	10,000	-
Noncash lease expense	166,493	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable, net	(3,141,877)	(3,502,314)
Contributions receivable, net	670	66,516
Prepaid expenses and other assets	(17,863)	81,768
Security deposits	(25,500)	-
Increase (decrease) in liabilities:		
Accrued expenses and other payables	46,652	(103,430)
Deferred rent	-	(40,838)
Refundable advances	(108,279)	(1,455,040)
Net cash provided by (used in) operating activities	<u>402,907</u>	<u>(4,320,590)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(500,000)	(1,010,763)
Proceeds from investments	1,234,904	500,000
Property and equipment acquisitions	<u>(278,192)</u>	<u>(160,968)</u>
Net cash provided by (used in) investing activities	<u>456,712</u>	<u>(671,731)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	3,591,324	4,085,859
Repayment of loans payable	<u>(4,085,859)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(494,535)</u>	<u>4,085,859</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	365,084	(906,462)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>808,764</u>	<u>1,715,226</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,173,848</u>	<u>\$ 808,764</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

CFR paid interest of \$22,926 and \$0 during the years ended December 31, 2022 and 2021, respectively.
No taxes were paid during the years ended December 31, 2022 and 2021.

Operating lease right-of-use asset and lease liability at lease commencement \$ 12,220,646

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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. In 2021, 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

Changes in Accounting Principles

CFR adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, Leases (*Topic 842*) for the year ended December 31, 2022. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. CFR adopted Topic 842 for the year ended December 31, 2022, which required the recognition of lease assets and liabilities as of that date. The lease assets and liabilities on December 31, 2022 totaled \$11,753,899 and \$12,220,646, respectively. The adoption of Topic 842 had no effect on the change in net assets for the year ended December 31, 2021 as previously reported. Refer to Note 10 – Operating Leases.

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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting and Presentation - Continued

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.

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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are stated at fair value based on quoted market prices. Gains and losses on the sale of investments and investment income are recognized as increases and decreases in net assets without donor restrictions unless their use is restricted by donor stipulations.

Contributions Receivable

Contributions receivable consists 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 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 Accounting Standards Codification (“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. On May 31, 2022, CFR repaid the principal and interest of \$1,776,722 and \$22,926, respectively. Interest expense amounted to \$6,578 and \$16,348 for the years ended December 31, 2022 and 2021, respectively.

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:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions - Continued

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.

Accounting for Uncertainty in Income Taxes

CFR applies the provisions pertaining to uncertain tax provisions (FASB 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 2019.

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.

3. CONCENTRATIONS

For the years ended December 31, 2022 and 2021, respectively, approximately 68% and 81% of CFR's support and revenue was from one government funder. The funder is the New York City ("NYC") Mayor's Office of Criminal Justice ("MOCJ"), and the current contract with MOCJ expires on June 30, 2023. On August 6, 2023, this contract was renewed for one year beginning July 1, 2023.

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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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).

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, 2022 and 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>As of December 31, 2022</u>				
Cash and cash equivalents	\$ 1,336,763	\$ -	\$ -	\$ 1,336,763
U.S. Treasuries	<u>1,492,949</u>	<u>-</u>	<u>-</u>	<u>1,492,949</u>
	<u>\$ 2,829,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,829,712</u>
<u>As of December 31, 2021</u>				
Cash and cash equivalents	<u>\$ 3,564,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,564,616</u>
	<u>\$ 3,564,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,564,616</u>

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
MOCJ	\$ 6,783,929	\$ 3,597,195
IRS - Employee Retention Credit Refund	803,804	-
NYC Council	456,899	844,666
NYS Office of Court Administration ("OCA")	298,075	354,331
NYS Division of Criminal Justice Services ("DCJS")	43,115	28,218
NYS Office of Children and Family Services ("OCFS")	37,500	-
The New York State Senate	31,015	-
Interest on Lawyer Account	15,000	15,000
GFP Real Estate	-	430,000
DASNY	-	43,541
Others	<u>4,520</u>	<u>19,029</u>
	<u>\$ 8,473,857</u>	<u>\$ 5,331,980</u>

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

6. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unconditional promises to be collected in:		
Less than a year	\$ 179,350	\$ 180,020
Allowance for doubtful accounts	<u>(10,000)</u>	<u>-</u>
	<u>\$ 169,350</u>	<u>\$ 180,020</u>

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 932,622	\$ 688,883
Furniture and fixtures	203,107	203,107
Equipment	<u>247,986</u>	<u>213,533</u>
	1,383,715	1,105,523
Less: Accumulated depreciation and amortization	<u>656,993</u>	<u>563,391</u>
	<u>\$ 726,722</u>	<u>\$ 542,132</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$93,602 and \$73,293, respectively.

8. LINE OF CREDIT

CFR has established a bank line of credit with a borrowing limit of \$450,000. 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. As of December 31, 2021, there was no outstanding balance.

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 Secured Overnight Financing Rate ("SOFR") plus 4.151%. The line of credit is set to mature on or before February 16, 2023. On May 22, 2023, the line of credit was renewed for another year subject to interest at the bank's adjusted SOFR plus 4.033%. The line of credit is set to mature on or before May 22, 2024. Any further extension and renewal of this line of credit is solely at the discretion of the bank. As of December 31, 2022, there was no outstanding balance.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

9. LOANS PAYABLE

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

During the year 2022, CFR received six emergency loans from the Fund for the City of New York for a total of \$3,591,324 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, 2022 was \$3,591,324. The loan balances were repaid in February 2023.

10. OPERATING LEASES

CFR leases three office spaces under operating leases that expire on various dates (including extension) through August 2036. The lease agreement has a renewal option for another five years.

The three leases mentioned above are the only leases required to be included on the 2022 statement of financial position under FASB ASC 842. The adoption of FASB ASC 842 had no impact in prior year statement of financial position information. CFR has elected to apply the short-term lease exception to all leases with a term of one year or less.

As of December 31, 2022, the balance of right-of-use asset and operating lease liability as shown in the statements of financial position are \$11,753,899 and \$12,220,646, respectively. The lease asset and liability were calculated utilizing the discount rate of 1.37% to 1.63%, according to CFR's elected policy. The renewal option was considered when assessing the value of the right-of-use asset and operating lease liability because CFR is reasonably certain that it will exercise its option to renew the lease.

Occupancy and related cost consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating lease expense	\$ 1,058,356	\$ 780,239
Short-term lease expense and other related cost	<u>133,042</u>	<u>92,617</u>
	<u>\$ 1,191,398</u>	<u>\$ 872,856</u>

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10. OPERATING LEASES - CONTINUED

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

<u>Years ending December 31:</u>	
2023	\$ 1,014,244
2024	1,035,817
2025	1,072,108
2026	1,062,258
2027	1,029,334
Thereafter	<u>8,358,818</u>
Total	\$ 13,572,579
Less amount representing interest	<u>(1,351,933)</u>
Present value of operating lease liability	<u>\$ 12,220,646</u>

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, 2022 and 2021 were subject to the following restrictions:

	<u>2022</u>	<u>2021</u>
Time Restricted	\$ 180,000	\$ 30,000
Parent Advocate Support	80,000	-
Legal Defense to Prevent Evictions	75,000	-
Youth Defense*	-	<u>200,000</u>
	<u>\$ 335,000</u>	<u>\$ 230,000</u>

*This item is 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 consist of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time Restricted	\$ 30,000	\$ 200,000
Youth Defense	<u>200,000</u>	<u>-</u>
	<u>\$ 230,000</u>	<u>\$ 200,000</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, 2022 and 2021 amounted to \$348,366 and \$322,666, 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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,173,848	\$ 808,764
Investments	2,829,712	3,564,616
Accounts receivable, net	8,473,857	5,331,980
Contributions receivable, net	<u>169,350</u>	<u>180,020</u>
	12,646,767	9,885,380
Less: Net assets with donor restrictions	<u>(335,000)</u>	<u>(230,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,311,767</u>	<u>\$ 9,655,380</u>

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through October 24, 2023, the date that the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.