

CENTER FOR FAMILY REPRESENTATION, INC.

Financial Statements
with Independent Auditor's Report

December 31, 2023 and 2022

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

CENTER FOR FAMILY REPRESENTATION, INC.

DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Adjustments to Prior Period Financial Statements

As discussed in Note 17 to the financial statements, the operating lease right-of-use assets and related operating lease liabilities were understated as previously reported as of December 31, 2022. Accordingly, amounts reported for operating lease right-of-use assets and related operating lease liabilities have been restated in the 2022 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2022. Our opinion is not modified with respect to that matter.

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.

Galleras Robinson CPAs, LLP

New York, New York
July 18, 2024

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022 (Restated)
ASSETS		
Cash and cash equivalents	\$ 704,497	\$ 1,173,848
Investments	5,146,845	2,829,712
Accounts receivable	7,366,947	8,473,857
Contributions receivable, net	113,153	169,350
Prepaid expenses and other assets	50,116	138,854
Property and equipment, net	632,743	726,722
Operating lease right-of-use assets	11,818,846	12,777,644
Security deposits	244,600	199,600
Total Assets	<u>\$ 26,077,747</u>	<u>\$ 26,489,587</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 899,674	\$ 694,558
Loans payable	-	3,591,324
Operating lease liabilities	12,435,879	13,287,298
Refundable advances	4,198,458	283,867
Total liabilities	<u>17,534,011</u>	<u>17,857,047</u>
Net Assets		
Without donor restrictions	8,329,085	8,297,540
With donor restrictions	214,651	335,000
Total net assets	<u>8,543,736</u>	<u>8,632,540</u>
Total Liabilities and Net Assets	<u>\$ 26,077,747</u>	<u>\$ 26,489,587</u>

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions						
Foundations	\$ 169,882	\$ 410,000	\$ 579,882	\$ 512,309	\$ 335,000	\$ 847,309
In-kind	87,560	-	87,560	-	-	-
Others	76,317	20,000	96,317	114,033	-	114,033
Special events (net of related expenses of \$168,535 in 2023 and \$103,266 in 2022)	323,407	-	323,407	538,907	-	538,907
Government contracts	19,346,447	10,000	19,356,447	17,342,309	-	17,342,309
Training revenue	8,372	-	8,372	12,300	-	12,300
Investment income	117,130	-	117,130	15,095	-	15,095
Other income	35,175	-	35,175	25,128	-	25,128
Net assets released from restrictions	560,349	(560,349)	-	230,000	(230,000)	-
Total Support and Revenue	20,724,639	(120,349)	20,604,290	18,790,081	105,000	18,895,081
EXPENSES						
Program services	17,952,676	-	17,952,676	13,772,447	-	13,772,447
Management and general	2,372,671	-	2,372,671	1,408,909	-	1,408,909
Fundraising and development	367,747	-	367,747	363,363	-	363,363
Total Expenses	20,693,094	-	20,693,094	15,544,719	-	15,544,719
CHANGE IN NET ASSETS	31,545	(120,349)	(88,804)	3,245,362	105,000	3,350,362
NET ASSETS, BEGINNING OF YEAR	8,297,540	335,000	8,632,540	5,052,178	230,000	5,282,178
NET ASSETS, END OF YEAR	\$ 8,329,085	\$ 214,651	\$ 8,543,736	\$ 8,297,540	\$ 335,000	\$ 8,632,540

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023				2022 (Restated)			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 11,995,293	\$ 1,236,173	\$ 214,297	\$ 13,445,763	\$ 9,558,594	\$ 851,039	\$ 207,535	\$ 10,617,168
Payroll taxes and benefits	2,655,657	293,807	47,579	2,997,043	1,921,102	118,563	38,716	2,078,381
Total salaries and related costs	14,650,950	1,529,980	261,876	16,442,806	11,479,696	969,602	246,251	12,695,549
Occupancy	1,210,261	207,855	22,029	1,440,145	1,135,215	60,482	24,347	1,220,044
Equipment and maintenance	1,026,280	27,872	1,612	1,055,764	284,809	74,952	2,776	362,537
Professional fees	157,775	389,858	30,736	578,369	145,551	190,899	3,597	340,047
Case related expenses	305,265	2,733	-	307,998	216,078	854	27	216,959
Telephone and communications	293,260	5,674	3,986	302,920	226,019	19,412	3,148	248,579
Fundraising	-	-	204,666	204,666	-	-	183,553	183,553
Depreciation and amortization	88,624	22,006	1,302	111,932	86,586	5,542	1,474	93,602
In-kind professional fees	-	87,560	-	87,560	-	-	-	-
Insurance	45,123	39,300	-	84,423	35,668	30,148	-	65,816
Research services and publications	56,450	220	-	56,670	56,142	50	-	56,192
Travel and conferences	48,207	5,496	2,950	56,653	39,650	1,470	17	41,137
Office supplies and expenses	27,601	829	596	29,026	31,426	2,477	938	34,841
Registration fees	13,424	4,129	-	17,553	11,451	3,610	-	15,061
Recruitment	-	16,380	-	16,380	-	12,695	-	12,695
Bad debts	-	2,893	-	2,893	-	10,000	-	10,000
Other expenses	29,456	29,886	6,529	65,871	24,156	26,716	501	51,373
	17,952,676	2,372,671	536,282	20,861,629	13,772,447	1,408,909	466,629	15,647,985
Less: Expenses deducted directly from support and revenue on the statements of activities	-	-	(168,535)	(168,535)	-	-	(103,266)	(103,266)
Total Expenses	\$ 17,952,676	\$ 2,372,671	\$ 367,747	\$ 20,693,094	\$ 13,772,447	\$ 1,408,909	\$ 363,363	\$ 15,544,719

CENTER FOR FAMILY REPRESENTATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (88,804)	\$ 3,350,362
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	111,932	93,602
Bad debts	2,893	10,000
Noncash lease expense	107,379	195,140
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	1,104,017	(3,141,877)
Contributions receivable, net	56,197	670
Prepaid expenses and other assets	88,738	(17,863)
Security deposits	(45,000)	(25,500)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	205,116	46,652
Refundable advances	3,914,591	(108,279)
Net cash from operating activities	<u>5,457,059</u>	<u>402,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,317,133)	(500,000)
Proceeds from sales of investments	2,000,000	1,234,904
Acquisitions of property and equipment	(17,953)	(278,192)
Net cash (used for) from investing activities	<u>(2,335,086)</u>	<u>456,712</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	-	3,591,324
Repayment of loans payable	(3,591,324)	(4,085,859)
Net cash used for financing activities	<u>(3,591,324)</u>	<u>(494,535)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(469,351)	365,084
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,173,848</u>	<u>808,764</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 704,497</u>	<u>\$ 1,173,848</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

CFR paid interest of \$0 and \$22,926 during the years ended December 31, 2023 and 2022, respectively.

No income taxes were paid during the years ended December 31, 2023 and 2022, respectively.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 employs 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 2019, CFR expanded to begin providing 'Early Defense' services, advocating for parents facing a family policing investigation. Additionally, in late 2018, NY State invited us to pilot our model of advocacy with youth and in 2020 the State awarded us a multi-year contract to represent youth in Manhattan and Queens family courts.

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 grantors. 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.

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 recognized as increases and decreases in net assets without donor restrictions unless their use is restricted by donor stipulations.

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 the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). CFR groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

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

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:

<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.

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

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.

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 contributions receivable net of 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. The receivables written off for the years ended December 31, 2023 and 2022 are \$2,893 and \$10,000, respectively.

The allowance estimate is derived from a review of the CFR's historical losses based on the aging of receivables. Factors used to determine whether an allowance should be recorded include management's assessment of the creditworthiness of its debtors, the age of the receivable, a review of payments subsequent to year-end as well as current economic conditions and historical information. The allowance for credit losses as of December 31, 2023 and 2022 amounted to \$0 and \$10,000, respectively.

CFR does not accrue interest on past due receivables.

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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Continued

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>
Leasehold improvements	10 - 15 years
Furniture and fixtures	5 years
Equipment	3 - 10 years

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

Paycheck Protection Program Loans Payable

For the year ended December 31, 2021, CFR recognized proceeds from the Paycheck Protection Program (“PPP”) loan payable as debt in accordance with Financial Accounting Standards Board (“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 for the year ended December 31, 2022.

Operating Lease Right-of-Use Assets

Right-of-Use (“ROU”) assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service.

Subsequently, the operating lease ROU assets would be measured as the lease liability adjusted by (1) accrued or prepaid rents (i.e., the aggregate difference between the cash payment and straight-line lease cost), (2) remaining unamortized initial direct costs and lease incentives, and (3) impairments of the ROU asset.

Operating Lease Liabilities

Operating lease liabilities are measured at the present value of payments expected to be made during the lease term (less any lease incentives).

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Services

Donated services are recorded at the estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated services to a specific purpose. Contributions of services are recognized if the services received create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 2020.

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. 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 Leases

CFR adopted 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 \$12,777,644 and \$13,287,298, 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.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recently Adopted Accounting Pronouncement

FASB ASU 2016-13 – Financial Instruments - Credit Losses (Topic 326)

In June 2016, the FASB issued guidance (FASB ASC Topic 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by CFR that are subject to the guidance in FASB ASC Topic 326 were accounts receivable.

CFR adopted the standard effective January 1, 2023 using the modified retrospective method. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through July 18, 2024, the date that the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

3. 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 some of its government contracts.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES - CONTINUED

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and purchases of property and equipment, are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 704,497	\$ 1,173,848
Investments	5,146,845	2,829,712
Accounts receivable	7,366,947	8,473,857
Contributions receivable, net	<u>113,153</u>	<u>169,350</u>
	13,331,442	12,646,767
Less: Net assets with donor restrictions	<u>(214,651)</u>	<u>(335,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,116,791</u>	<u>\$ 12,311,767</u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value.

The money market fund is valued at the quoted net asset value (NAV) of shares held by CFR at year end.

U.S. Treasury securities are valued using quoted market prices obtained from active market makers and inter-dealer brokers.

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, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Level 1</u>	<u>Total</u>	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ -	\$ 1,336,763	\$ 1,336,763
Money market fund	685,010	685,010	-	-
U.S. Treasuries	<u>4,461,835</u>	<u>4,461,835</u>	<u>1,492,949</u>	<u>1,492,949</u>
	<u>\$ 5,146,845</u>	<u>\$ 5,146,845</u>	<u>\$ 1,492,949</u>	<u>\$ 1,492,949</u>

CENTER FOR FAMILY REPRESENTATION, INC.**NOTES TO FINANCIAL STATEMENTS - CONTINUED****5. ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
New York City ("NYC") Mayor's Office of Criminal Justice ("MOCJ")	\$ 5,953,994	\$ 6,783,929
NYC Council	719,297	456,899
New York State ("NYS") Office of Court Administration	508,552	298,075
NYS Division of Criminal Justice Services	77,951	43,115
NYS Interest on Lawyer Account Fund	31,250	15,000
NYS Senate	31,221	31,015
NYS Office of Children and Family Services	41,700	37,500
Internal Revenue Service - Employee Retention Credit Refund	-	803,804
Others	2,982	4,520
	<u>\$ 7,366,947</u>	<u>\$ 8,473,857</u>

6. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consists of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unconditional promises to be collected in:		
Less than a year	\$ 113,153	\$ 179,350
Allowance for doubtful accounts	-	(10,000)
	<u>\$ 113,153</u>	<u>\$ 169,350</u>

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 1,049,572	\$ 932,622
Furniture and fixtures	201,608	203,107
Equipment	101,066	247,987
	1,352,246	1,383,716
Less: Accumulated depreciation and amortization	719,503	656,994
	<u>\$ 632,743</u>	<u>\$ 726,722</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 were \$111,932 and \$93,602, respectively. In 2023, CFR wrote off the fully depreciated property and equipment not in use amounting to \$49,423.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

8. LINE OF CREDIT

On February 16, 2022, CFR obtained a 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 was set to mature on or before February 16, 2023. However, 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 was set to mature on or before May 22, 2024, but it was extended by 90 days. As of December 31, 2023 and 2022, CFR has an unused line of credit amounting to \$2,000,000.

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 NYC 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. In February 2023, the outstanding balance of the loans of 3,591,324 was reclassified to refundable advances when the contract with NYC MOCJ was registered in accordance with the loan and contract provisions.

10. OPERATING LEASES

CFR leases four (4) office spaces under operating leases that will expire on various dates (including extension) through August 2036. The lease agreements have a renewal option for another five years.

The four (4) leases mentioned above are the only leases required to be included on the statements of financial position under FASB ASC 842. 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, 2023, the balance of operating lease ROU assets and operating lease liabilities as shown in the statements of financial position are \$11,818,846 and \$12,435,879, respectively. As of December 31, 2022, the balance of ROU assets and operating lease liabilities as shown in the statements of financial position are \$12,777,644 and \$13,287,298, respectively. The lease assets and liabilities were calculated utilizing discount rates ranging from 1.52% to 4.06%, according to CFR's elected policy. The renewal option was considered when assessing the value of the ROU assets and operating lease liabilities because CFR is reasonably certain that it will exercise its option to renew the lease.

Security deposits on operating leases amounted to \$239,100 and \$194,100 at December 31, 2023 and 2022, respectively.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10. OPERATING LEASES - CONTINUED

Occupancy consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
Operating lease expense	\$ 1,221,841	\$ 1,087,002
Short-term lease expense and other related costs	<u>218,304</u>	<u>133,042</u>
	<u>\$ 1,440,145</u>	<u>\$ 1,220,044</u>

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

Years ending December 31:

2024	\$ 1,119,825
2025	1,159,634
2026	1,149,783
2027	1,116,859
2028	1,139,299
Thereafter	<u>8,502,979</u>
Total	\$ 14,188,379
Less amount representing interest	<u>(1,752,500)</u>
Present value of operating lease liability	<u>\$ 12,435,879</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions during the years ended December 31, 2023 and 2022 are as follows:

		Year Ended December 31, 2023			
Restriction	Restricted Purpose	Beginning Balance	Support and Revenue	Released from Restrictions	Ending Balance
Purpose	Parent Advocate	\$ 80,000	\$ 100,000	\$ (80,349)	\$ 99,651
	Support				
Purpose	Coronavirus	30,000	30,000	(30,000)	30,000
	Recovery				
Purpose	Youth Defense	-	150,000	(150,000)	-
Time and purpose	Legal Defense to	75,000	150,000	(150,000)	75,000
	Prevent Evictions				
Time and purpose	Technology	-	10,000	-	10,000
Time	None	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
Total		<u>\$ 335,000</u>	<u>\$ 440,000</u>	<u>\$ (560,349)</u>	<u>\$ 214,651</u>

CENTER FOR FAMILY REPRESENTATION, INC.**NOTES TO FINANCIAL STATEMENTS - CONTINUED****11. NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED**

Year Ended December 31, 2022					
Restriction	Restricted Purpose	Beginning Balance	Support and Revenue	Released from Restrictions	Ending Balance
Purpose	Parent Advocate Support	\$ -	\$ 80,000	\$ -	\$ 80,000
Purpose	Coronavirus Recovery	30,000	30,000	(30,000)	30,000
Purpose	Juvenile Justice Support	200,000	-	(200,000)	-
Time and purpose	Legal Defense to Prevent Evictions	-	75,000	-	75,000
Time	None	-	150,000	-	150,000
Total		<u>\$ 230,000</u>	<u>\$ 335,000</u>	<u>\$ (230,000)</u>	<u>\$ 335,000</u>

12. SPECIAL EVENTS

CFR held its Annual Gala on June 7, 2023 and online on June 14, 2022, respectively. Income from each of the special events are as follows:

	<u>2023</u>	<u>2022</u>
Special event revenue	\$ 491,942	\$ 642,173
Less: Special event direct expenses	<u>(168,535)</u>	<u>(103,266)</u>
Special event income	<u>\$ 323,407</u>	<u>\$ 538,907</u>

13. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2023, CFR received donated legal services amounting to \$87,560, which have been reflected in the financial statements as in-kind contributions and in-kind professional fees. The donated legal services are valued at the standard hourly rates charged for those services. There were no donor-imposed restrictions associated with the donated services.

14. 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, 2023 and 2022 amounted to \$601,484 and \$348,366, respectively.

CENTER FOR FAMILY REPRESENTATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

15. 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.

16. CONCENTRATIONS

For the years ended December 31, 2023 and 2022, approximately 80% and 68%, respectively, of CFR's support and revenue was from one government funder. The funder is the NYC MOCJ, and the original contract with NYC MOCJ expired on June 30, 2023. On August 6, 2023, this contract was renewed for one year beginning July 1, 2023.

CFR maintains its cash and cash equivalents and investments at financial institutions insured by the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation for up to \$250,000 and \$500,000, respectively. CFR's cash and cash equivalents and investments may at times exceed these federally insured limits. CFR has not experienced any losses in such accounts, and management believes that credit risk related to these accounts is minimal.

17. RESTATEMENTS

The 2022 financial statements have been restated to reflect the following:

	As Previously Reported	Restatements	As Restated
Operating lease right-of-use assets	\$ 11,753,899	\$ 1,023,745	\$ 12,777,644
Accrued expenses and other payables	(708,818)	14,260	(694,558)
Operating lease liabilities	(12,220,646)	(1,066,652)	13,287,298
Occupancy	1,191,397	28,647	1,220,044

The corrections have no effect on the results of the current year's activities; however, the cumulative effect of the restatements decreased beginning net assets for 2023 by \$28,647.