

CENTER FOR FAMILY REPRESENTATION, INC
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Center for Family Representation, Inc.

We have audited the accompanying statements of financial position of the Center for Family Representation, Inc., ("CFR") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of CFR's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Family Representation, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Lederer, Levine & Associates, LLC

New York, NY
July 17, 2009

**CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 462,515	\$ 420,796
Accounts receivable, net (Note C)	425,571	498,394
Contributions receivable (Note D)	262,427	199,475
Prepaid expenses and other assets	42,645	13,572
Property and equipment (Notes B and E)	84,360	2,021
Security deposit	62,067	62,067
	<u>1,339,585</u>	<u>1,196,325</u>
TOTAL ASSETS	<u>\$ 1,339,585</u>	<u>\$ 1,196,325</u>
 LIABILITIES		
Accrued expenses and other payables	\$ 128,920	\$ 165,542
Refundable advances (Note J)	610,000	657,741
	<u>738,920</u>	<u>823,283</u>
TOTAL LIABILITIES	<u>738,920</u>	<u>823,283</u>
 COMMITMENTS AND CONTINGENCIES (Note I)		
 NET ASSETS		
Unrestricted	350,078	197,506
Temporarily restricted (Note H)	250,587	175,536
	<u>600,665</u>	<u>373,042</u>
TOTAL NET ASSETS	<u>600,665</u>	<u>373,042</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,339,585</u>	 <u>\$ 1,196,325</u>

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

CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions - foundations	\$ 400,000	\$	400,000	\$ 466,500	\$	466,500
Contributions - other	123,046	250,587	373,633	35,573	175,536	211,109
Special event (net of expenses of \$46,573 in 2008 and \$29,200 in 2007)	108,224		108,224	132,728		132,728
Government contracts (Note F)	2,740,469		2,740,469	1,702,976		1,702,976
Training revenue	8,390		8,390	6,500		6,500
Interest	4,414		4,414	7,638		7,638
Net assets released from restrictions	175,536	(175,536)		40,000	(40,000)	
TOTAL SUPPORT AND REVENUE	3,560,079	75,051	3,635,130	2,391,915	135,536	2,527,451
EXPENSES:						
Program services	2,953,684		2,953,684	1,871,163		1,871,163
Management and general	283,908		283,908	255,173		255,173
Fundraising and development	169,915		169,915	88,168		88,168
TOTAL EXPENSES	3,407,507		3,407,507	2,214,504		2,214,504
CHANGE IN NET ASSETS						
	152,572	75,051	227,623	177,411	135,536	312,947
Net Assets - Beginning of Year	197,506	175,536	373,042	20,095	40,000	60,095
NET ASSETS - END OF YEAR	\$ 350,078	\$ 250,587	\$ 600,665	\$ 197,506	\$ 175,536	\$ 373,042

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

CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008		2007				
	Program Services	Management and General	Fundraising and Development	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 2,007,867	\$ 163,530	\$ 68,561	\$ 982,897	\$ 139,495	\$ 31,839	\$ 1,154,231
Payroll taxes and benefits (Note G)	395,796	32,236	13,514	201,848	28,647	6,539	237,034
Total salaries and related costs	2,403,663	195,766	82,075	1,184,745	168,142	38,378	1,391,265
Program expansion				276,009	249	57	276,315
Professional fees	73,052	47,545	69,314	61,600	35,983	36,999	134,582
Occupancy (Note G)	314,761	25,636	10,748	182,341	25,879	5,906	214,126
Office supplies and expense	36,000	2,873	1,192	84,636	2,155	494	87,285
Equipment and maintenance	32,210	2,623	1,101	18,769	2,612	595	21,976
Telephone	38,676	3,150	1,321	22,428	2,709	618	25,755
Research services and publications	20,880	1,701	713	12,636	1,210	276	14,122
Travel and conferences	4,079	523	4,602	7,908		7,908	6,999
Insurance	15,047	792	15,839	6,696	303	8,488	8,488
Interest		169	169				
Other	8,472	2,574	3,217	9,954	6,955	4,733	21,642
Depreciation and amortization	6,834	556	234	3,441	488	112	4,041
TOTAL EXPENSES	\$ 2,953,684	\$ 283,908	\$ 169,915	\$ 1,871,163	\$ 255,173	\$ 88,168	\$ 2,214,504

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

**CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 227,623	\$ 312,947
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,624	4,041
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	72,823	(368,393)
Contributions receivable	(62,952)	(159,475)
Prepaid expenses and other assets	(29,073)	(53)
Security deposit		(46,795)
(Decrease) increase in liabilities:		
Accrued expenses and other payables	(36,622)	126,432
Refundable advances	(47,741)	657,741
Net Cash Provided by Operating Activities	131,682	526,445
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	(89,963)	
Net Cash Used by Investing Activities	(89,963)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	75,000	82,500
Principal repayments of loans payable	(75,000)	(259,405)
Net Cash Used by Financing Activities	(176,905)	(176,905)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,719	349,540
Cash and cash equivalents - beginning of year	420,796	71,256
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 462,515	\$ 420,796
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 169	\$ 8,488

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

CENTER FOR FAMILY REPRESENTATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note A – Organization and Nature of Activities

The Center for Family Representation, Inc. ("CFR") was formed in May of 2002 to address the fact that inadequate legal representation for parents involved in child protective proceedings in New York City Family Courts resulted in unnecessary removal of many children from their families and unnecessarily protracted stays in foster care for children. CFR's mission is to improve outcomes for families involved in the Child Welfare and Family Court systems through advocacy, education, legal representation, practice assistance, and research.

CFR is organized under the Not-for-Profit Corporation Law of the State of New York and has been granted exemption from federal income tax pursuant to Section 501 (c) (3) of the Internal Revenue Code.

Note B – Summary of Significant Accounting Policies

Method of Accounting

CFR prepares its financial statements using the accrual basis of accounting. CFR follows accounting principles generally accepted in the United States of America which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

CFR considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

Restricted Contributions

Contributions are recognized when the donor makes a promise to give to CFR that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for on the straight line basis over the estimated useful lives of the assets. CFR capitalizes property and equipment with a useful life of two years or more and a cost of \$5,000 or more, unless such property and equipment is funded by a grantor, and the grantor retains title to the property and equipment.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(continued)

Note B – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157") defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"), which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. A partial deferral of SFAS No. 157 was elected under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. Furthermore, the impact of implementing FSP 157-2 is not expected to be material on the financial statements. Partially adopting SFAS No. 157 effective January 1, 2008 had no impact on the financial statements.

On October 10, 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP 157-3"), which clarifies application of SFAS No. 157 in a market that is not active. FSP 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this FSP had no impact on the financial statements.

Note C - Accounts Receivable

Accounts receivable consist of the following as of December 31, 2008 and 2007:

	2008	2007
Government Agencies *	\$ <u>425,571</u>	\$ <u>498,394</u>

*Includes amounts due from City of New York's Criminal Justice Coordinator of \$356,520 and \$427,267, respectively, for the years ended December 31, 2008 and 2007.

Note D– Contributions Receivable

Contributions receivable at December 31, 2008 and 2007 are all due within one year.

Note E - Property and Equipment

Property and equipment consist of the following as of December 31, 2008 and 2007:

	2008	2007
Leasehold improvements	\$ 68,135	\$
Equipment	<u>33,952</u>	<u>12,124</u>
	102,087	12,124
Less: accumulated depreciation and amortization	<u>17,727</u>	<u>10,103</u>
	<u>\$ 84,360</u>	<u>\$ 2,021</u>

**CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(continued)**

Note F - Concentrations

- 1) For the years ended December 31, 2008 and 2007, approximately 61% and 58%, respectively, of CFR's support and revenue was generated under one government contract. The contract is with the City of New York's Criminal Justice Coordinator ("CJC"). The original contract expired June 30, 2009. CJC has given a verbal commitment for a two year extension, and has advanced funds to CFR to cover costs for the new contract term. The contract with CJC included start up funding to support CFR's expansion. Included in program expansion and start-up costs are moving costs and equipment purchases. The cost of the equipment has been expensed as CJC retains title to the equipment.

Included in refundable advances is approximately \$610,000 and \$641,000 as of December 31, 2008 and 2007, respectively, advanced by CJC under the contract.

- 2) CFR maintains several bank accounts at a bank (J.P. Morgan Chase) which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. At December 31, 2008 and 2007 total uninsured balances were \$223,522 and \$371,140, respectively. Management believes that credit risk related to these accounts to be minimal. Effective October 3, 2008, the amount insured by the FDIC increased to \$250,000. This limit will be in effect through December 31, 2013.

Note G – Pension Plan

In 2004, CFR established a defined contribution pension plan (the "Plan") covering all employees. Contributions to the Plan are made at the discretion of CFR. Pension plan expense amounted to \$-0- and \$18,997 (representing 3% of Plan participant's salaries) for the years ended December 31, 2008 and 2007, respectively. Contributions to the Plan are made at the discretion of CFR.

Note H – Net Assets

Temporarily restricted net assets at December 31, 2008 and 2007 were restricted for use in future periods.

Note I – Commitments and Contingencies

- 1) CFR leases office space for its program and supporting services. In September 2007, CFR entered into a new lease for increased office space. The expiration date of the lease is December 31, 2013. Rent expense amounted to \$344,470 and \$189,318 for the years ended December 31, 2008 and 2007. Approximate future minimum annual rental commitments under noncancelable lease obligations are as follows:

For the years ended December 31, 2009	\$ 372,000
2010	372,000
2011	377,000
2012	386,000
2013	386,000
Thereafter	<u>1,587,000</u>
	<u>\$ 3,480,000</u>

- 2) A substantial amount of the Organization's revenues are government reimbursements. Revenues and related expenses are subject to audit verification by the funding agencies. The accompanying financial statements make no provision for possible disallowances. Although such disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.
- 3) In April, 2007, CFR established a bank line of credit with borrowing limit of \$300,000. Subsequent to December 31, 2008, the borrowing limit was increased to \$450,000. As of December 31, 2008, there was no outstanding balance. Borrowings under this facility bear interest at the bank's prime rate plus 1.00%. To secure this facility the bank has granted a first priority security interest in all of CFR's business assets. This line of credit matures in July, 2009. CFR anticipates that this line of credit will be extended.