

CENTER FOR FAMILY REPRESENTATION, INC
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

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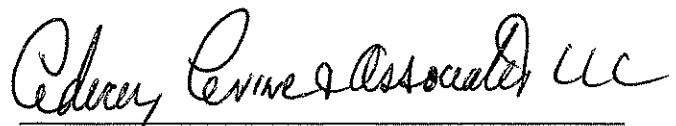
INDEPENDENT AUDITORS' REPORT

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, 2007 and 2006, 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, 2007 and 2006, 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
May 13, 2008

**CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 420,796	\$ 71,256
Accounts receivable, net (Note C)	498,394	130,001
Contributions receivable (Note D)	199,475	40,000
Prepaid expenses and other assets	13,572	13,519
Property and equipment (Notes B and E)	2,021	6,062
Security deposit	<u>62,067</u>	<u>15,272</u>
TOTAL ASSETS	\$ <u>1,196,325</u>	\$ <u>276,110</u>
LIABILITIES		
Accrued expenses and other payables	\$ 165,542	\$ 39,110
Refundable advances (Note J)	657,741	
Loans payable		<u>176,905</u>
TOTAL LIABILITIES	<u>823,283</u>	<u>216,015</u>
COMMITMENTS AND CONTINGENCIES (Note I)		
NET ASSETS		
Unrestricted	197,506	20,095
Temporarily restricted (Note H)	<u>175,536</u>	<u>40,000</u>
TOTAL NET ASSETS	<u>373,042</u>	<u>60,095</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,196,325</u>	\$ <u>276,110</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, 2007 AND 2006

	2007			2006		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE						
Contributions - foundations (Note D and F)	\$ 466,500	\$	466,500	\$ 341,000	\$ 40,000	\$ 381,000
Contributions - other	35,573	175,536	211,109	79,084		79,084
Special event (net of expenses of \$29,200 in 2007 and \$23,615 in 2006)	132,728		132,728	91,454		91,454
Government contracts	1,702,976		1,702,976	371,575		371,575
Training revenue	6,500		6,500	10,340		10,340
Interest	7,638		7,638	147		147
Net assets released from restrictions	40,000	(40,000)		42,500	(42,500)	
TOTAL SUPPORT AND REVENUE	<u>2,391,915</u>	<u>135,536</u>	<u>2,527,451</u>	<u>936,100</u>	<u>(2,500)</u>	<u>933,600</u>
EXPENSES:						
Program services	1,871,163		1,871,163	779,463		779,463
Management and general	255,173		255,173	141,955		141,955
Fundraising and development	88,168		88,168	69,721		69,721
TOTAL EXPENSES	<u>2,214,504</u>		<u>2,214,504</u>	<u>991,139</u>		<u>991,139</u>
Change in net assets (Note J)	177,411	135,536	312,947	(55,039)	(2,500)	(57,539)
Net Assets - Beginning of Year	20,095	40,000	60,095	75,134	42,500	117,634
NET ASSETS - END OF YEAR	<u>\$ 197,506</u>	<u>\$ 175,536</u>	<u>\$ 373,042</u>	<u>\$ 20,095</u>	<u>\$ 40,000</u>	<u>\$ 60,095</u>

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, 2007 AND 2006

	2007				2006			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 982,897	\$ 139,495	\$ 31,839	\$ 1,154,231	\$ 498,517	\$ 75,071	\$ 33,399	\$ 606,987
Payroll taxes and benefits	201,848	28,647	6,539	237,034	91,957	13,848	6,160	111,965
Total salaries and fringe benefits	1,184,745	168,142	38,378	1,391,265	590,474	88,919	39,559	718,952
Program expansion and start-up (Note J)	276,009	249	57	276,315				
Professional fees	61,600	35,983	36,999	134,582	45,433	25,000	21,944	92,377
Occupancy (Note G)	182,341	25,879	5,906	214,126	94,962	14,299	6,362	115,623
Office supplies and expense	84,636	2,155	494	87,285	18,005	1,862	829	20,696
Equipment and maintenance	18,769	2,612	595	21,976	8,675	115	51	8,841
Telephone	22,428	2,709	618	25,755	5,838	93	41	5,972
Research services and publications	12,636	1,210	276	14,122	3,780	118	53	3,951
Travel and conferences	7,908			7,908	4,768	718	319	5,805
Insurance	6,696	303		6,999	4,745	4,745	341	10,136
Interest	9,954	8,488	4,733	21,642	4,209	5,586	222	4,041
Other	3,441	488	112	4,041	3,319	500		
Depreciation								
TOTAL EXPENSES	\$ 1,871,163	\$ 255,173	\$ 88,168	\$ 2,214,504	\$ 779,463	\$ 141,955	\$ 69,721	\$ 991,139

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 312,947	\$ (57,539)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	4,041	4,041
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(368,393)	(38,808)
Contributions receivable	(159,475)	2,500
Prepaid expenses and other assets	(53)	(4,220)
Security deposit	(46,795)	
Increase (decrease) in liabilities:		
Accrued expenses and other payables	126,432	(5,048)
Refundable advances	657,741	
Net Cash Provided (Used) by Operating Activities	<u>526,445</u>	<u>(99,074)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	82,500	250,083
Principal repayments of loans payable	<u>(259,405)</u>	<u>(118,178)</u>
Net Cash (Used) Provided by Financing Activities	<u>(176,905)</u>	<u>131,905</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	349,540	32,831
Cash and cash equivalents - beginning of year	<u>71,256</u>	<u>38,425</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 420,796</u>	<u>\$ 71,256</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 8,488</u>	<u>\$ 4,745</u>

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

CENTER FOR FAMILY REPRESENTATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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. (Also, see Note J.)

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(continued)

Note C - Accounts Receivable

Accounts receivable consist of the following as of December 31, 2007 and 2006:

	2007	2006
Government Agencies	\$ 489,408	\$ 127,801
Other		2,200
	\$ 489,408	\$ 130,001

Note D- Contributions Receivable

Contributions receivable at December 31, 2007 and 2006 are all due within one year.

Note E - Property and Equipment

Property and equipment consist of the following as of December 31, 2007 and 2006:

	2007	2006
Equipment	\$ 12,124	\$ 12,124
Less: accumulated depreciation and amortization	10,103	6,062
	\$ 2,021	\$ 6,062

Note F - Concentrations

- 1) For the year ended December 31, 2007, approximately 58% of CFR's support and revenue was generated under one government contract.
- 2) CFR maintains several bank accounts at a bank which is an institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. At December 31, 2007 and 2006 uninsured balances were \$371,140 and -0-, respectively.

Note G - Pension Plan

In 2004, CFR established a defined contribution pension plan covering all employees. Pension plan expense amounted to \$18,997 and \$16,256 for the years ended December 31, 2007 and 2006, respectively.

Note H - Net Assets

Temporarily restricted net assets at December 31, 2007 and 2006 were restricted for use in future periods.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(continued)

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. Rent expense amounted to \$189,318 and \$93,350 for the years ended December 31, 2007 and 2006. Approximate future minimum annual rental commitments under noncancelable lease obligations are as follows:

For the years ended December 31, 2008	\$ 372,000
2009	372,000
2010	372,000
2011	426,000
Thereafter	<u>3,804,000</u>
	<u>\$ 5,346,000</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.

Note J – Program Expansion

During the year ended December 31, 2006, CFR incurred significant expenses to further develop and expand its Community Advocacy Team program model. While this investment did not produce sufficient revenue to cover expenses in the 2006 fiscal year, the program model attracted new funding for the following year ("FY2007"), including a two-year contract with the City of New York's Criminal Justice Coordinator ("CJC") in the amount of \$5,691,000, as well as additional foundation funding. 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 is expended as CJC retains title to the equipment.

Included in refundable advances is approximately \$640,000 advanced by CJC under the contract.