

CENTER FOR FAMILY REPRESENTATION, INC
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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
June 22, 2012

**CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 269,528	\$ 23,694
Accounts receivable, net (Note C)	1,223,814	710,179
Contributions receivable (Note D)	117,470	80,381
Amount held in escrow	-	250,000
Prepaid expenses and other assets	56,317	38,212
Property and equipment (Notes B and E)	130,148	54,666
Security deposits (Note J)	<u>120,600</u>	<u>62,067</u>
TOTAL ASSETS	<u>\$ 1,917,877</u>	<u>\$ 1,219,199</u>
LIABILITIES		
Accrued expenses and other payables	\$ 415,594	\$ 249,184
Loan payable (Note G)	207,752	-
Line of credit (Note J)	-	139,659
Refundable advances (Note F)	<u>601,263</u>	<u>595,108</u>
TOTAL LIABILITIES	<u>1,224,609</u>	<u>983,951</u>
COMMITMENTS AND CONTINGENCIES (Note J)		
NET ASSETS		
Unrestricted	516,268	160,248
Temporarily restricted (Note I)	<u>177,000</u>	<u>75,000</u>
TOTAL NET ASSETS	<u>693,268</u>	<u>235,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,917,877</u>	<u>\$ 1,219,199</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, 2011 AND 2010**

	2011			2010				
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 3,256,942	\$ 232,351	\$ 160,157	\$ 3,649,450	\$ 2,249,783	\$ 176,670	\$ 148,992	\$ 2,575,445
Payroll taxes and benefits (Note H)	673,666	45,314	36,251	755,231	455,984	35,807	30,197	521,988
Total salaries and related costs	3,930,608	277,665	196,408	4,404,681	2,705,767	212,477	179,189	3,097,433
Professional fees	133,786	9,451	26,386	169,623	49,429	17,273	52,837	119,539
Occupancy (Note J)	518,042	15,763	10,047	543,852	337,705	26,519	22,365	386,589
Case related expenses	56,399	-	-	56,399	25,240	-	-	25,240
Office supplies and expenses	45,633	3,412	3,783	52,828	29,170	2,103	1,775	33,048
Equipment and maintenance	28,114	1,987	1,405	31,506	11,858	928	782	13,568
Telephone	60,999	4,309	3,049	68,357	42,352	3,323	2,803	48,478
Research services and publications	36,669	298	718	37,685	27,208	2,108	1,778	31,094
Travel and conferences	9,814	438	310	10,562	5,156	13	11	5,180
Insurance	21,375	1,510	1,069	23,954	17,872	2,148	1,184	21,204
Interest (Note J)	7,517	531	375	8,423	11,437	898	757	13,092
Fundraising	-	-	19,419	19,419	-	-	-	-
Other expenses	35,532	2,510	1,778	39,820	16,347	-	18,422	18,422
Retirement of fixed assets	41,097	2,903	2,054	46,054	-	3,272	2,294	21,913
Depreciation and amortization	19,193	1,356	959	21,508	12,969	1,018	860	14,847
TOTAL EXPENSES	\$ 4,944,778	\$ 322,133	\$ 267,760	\$ 5,534,671	\$ 3,292,510	\$ 272,080	\$ 285,057	\$ 3,849,647

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, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 458,020	\$ 116,005
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	21,508	14,847
Write down of property and equipment	46,054	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(513,635)	(285,546)
Contributions receivable	(37,089)	(59,673)
Amount held in escrow	250,000	(250,000)
Prepaid expenses and other assets	(18,105)	20,818
Security deposits	(58,533)	-
(Decrease) increase in liabilities:		
Accrued expenses and other payables	166,410	126,496
Refundable advances	6,155	-
Net Cash Provided (Used) by Operating Activities	320,785	(317,053)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	(143,044)	-
Net Cash Used by Investing Activities	(143,044)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	694,491	-
Principal repayments of loans payable	(486,739)	-
Proceeds from line of credit	1,930,880	139,659
Repayment of line of credit	(2,070,539)	-
Net Cash Provided by Financing Activities	68,093	139,659
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	245,834	(177,394)
Cash and cash equivalents - beginning of year	23,694	201,088
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 269,528	\$ 23,694
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 8,422	\$ 13,092

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

CENTER FOR FAMILY REPRESENTATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note A – Organization and Nature of Activities

The Center for Family Representation, Inc. ("CFR") was founded in May of 2002 to improve representation for parents involved in child protective proceedings in New York Family Courts. Inadequate representation can result in unnecessary removal of children from indigent families and unnecessarily long stays in foster care. CFR's mission is to improve outcomes for families involved in the Child Welfare and Family Court systems through legal representation, social services, education, advocacy, research, policy reform and training.

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 follows accounting principles generally accepted in the United States of America ("U.S. GAAP"), which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 22, 2012.

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 U.S. GAAP 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, 2011 AND 2010
(continued)**

Note B – Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes

CFR's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Fair Value Measurements

U. S. GAAP has established a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. Level 1 inputs relate to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Reclassification

Certain line items in the December 31, 2010 financial statements have been reclassified to conform to the December 31, 2011 presentation.

Note C – Accounts Receivable

Accounts receivable consist of the following as of December 31, 2011 and 2010:

	2011	2010
The City of New York Criminal Justice Coordinator ("CJC")	\$ 889,933	\$ 381,944
New York State Office of Children and Family Services ("OCFS")	220,680	216,492
New York State Division of Criminal Justice Services ("CJS")	94,372	84,375
Other	18,829	27,368
	\$1,223,814	\$ 710,179

Note D – Contributions Receivable

Contributions receivable at December 31, 2011 and 2010 are all due within one year.

Note E – Property and Equipment

Property and equipment consist of the following as of December 31, 2011 and 2010:

	2011	2010
Leasehold improvements	\$ 65,000	\$ 68,135
Furniture and fixtures	46,759	
Equipment	53,114	33,952
	164,873	102,087
Less: accumulated depreciation and amortization	34,725	47,421
	\$ 130,148	\$ 54,666

**CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

Note F – Concentrations

- 1) For the years ended December 31, 2011 and 2010, approximately 87% and 72%, respectively, of CFR's support and revenue was generated under two government contracts. The contracts are with CJC, and both have expiration dates of June 30, 2013. The original contract with CJC included start up funding to support CFR's expansion. The new contract includes start up funding to support CFR's expansion to Queens County.

Included in refundable advances is approximately \$601,263 and \$595,108 as of December 31, 2011 and 2010, respectively, advanced by CJC under the contract relating to the provision of services in Manhattan.

- 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. This limit will be in effect through December 31, 2013. At December 31, 2011 and 2010 there were no uninsured balances. Management believes credit risk related to these accounts to be minimal.

Note G – Loan Payable

In December 2011, in order to cover the expenses of CFR's new CJC contract, CFR entered into a loan agreement with the Fund for The City of New York (the "Fund"). This loan was necessary due to the delay in the execution of the contract. The agreement provided for a loan in the amount of \$207,752. The loan did not bear interest. The maturity date of the agreement is February 7, 2012. As of December 31, 2011, the outstanding loan balance was \$207,752. The loan balance was paid off by the maturity date.

Note H – Pension Plan

In 2004, CFR established a defined contribution pension plan (the "Plan") covering all employees that have completed six months of employment. Contributions to the Plan are made at the discretion of CFR. Pension plan expense amounted to approximately \$80,000 and \$-0- for the years ended December 31, 2011 and 2010, respectively.

Note I – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 were subject to the following restrictions:

	2011	2010
Time restrictions	\$ -	\$ 75,000
Program restrictions	157,000	-
Facility renovations and purchase of equipment	20,000	-
	\$ 177,000	\$ 75,000

Note J – Commitments and Contingencies

- 1) In August, 2007, CFR entered into a lease for increased office space in Manhattan. The original expiration date of this lease was July 31, 2017. Rent expense amounted to \$368,511 for the year ended December 31, 2010. In December, 2010, CFR terminated the lease. Under the terms of the termination agreement, CFR was to receive a payment of \$250,000 if certain conditions were met. At December 31, 2010, this payment was placed in escrow for CFR. The payment was released in 2011 when the conditions were subsequently met. During the first part of 2011, CFR continued to use this space at no charge.

On February 17, 2011, CFR entered into a lease for new office space in Manhattan for its program and supporting services. The lease expires in August, 2021. Under this agreement CFR was required to pay a security deposit in the amount of \$120,600. Rent expense amounted to \$136,828 for the year ended December 31, 2011.

**CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

Note J – Commitments and Contingencies (continued)

Approximate future minimum annual rental commitments under noncancelable rental lease obligations are as follows:

For the years ended December 31, 2012	\$ 366,021
2013	373,341
2014	380,805
2015	388,424
2016	419,643
Thereafter	<u>2,152,878</u>
	<u>\$ 4,081,112</u>

During 2011, CFR also began operations in Queens, New York, occupying office space from The City of New York at no charge. Moving costs, including renovations and the purchase of furniture and equipment for its new locations, amounted to approximately \$378,000, which have been included in occupancy expense on the statement of functional expenses. These costs have not been capitalized, as they have been funded by CJC, which retains title to the property.

- 2) 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.

- 3) CFR has established a bank line of credit with a current borrowing limit of \$450,000. As of December 31, 2011, no amount was outstanding under the bank line of credit. Borrowings under this facility bear interest at the bank's LIBOR rate plus 3.25%. To secure this loan, the bank was granted a first priority security interest in all of CFR's assets. The line of credit has no maturity date and is due on demand.