

CENTER FOR FAMILY REPRESENTATION, INC
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

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TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Center for Family Representation, Inc.

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, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility


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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Family Representation, Inc. as of December 31, 2013 and 2012 and the results of its operations 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

September 22, 2014

**CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012**

	2013	2012
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 3,494	\$ 428,219
Accounts receivable, net (Note C)	1,097,180	778,782
Contributions receivable (Note D)	569,773	218,417
Prepaid expenses and other assets	82,102	108,790
Property and equipment (Notes B and E)	276,748	159,981
Security deposits	172,062	172,952
TOTAL ASSETS	\$ 2,201,359	\$ 1,867,141
 LIABILITIES		
Accrued expenses and other payables	\$ 308,371	\$ 228,985
Loan payable (Note G)	83,725	-
Line of credit (Note J)	187,000	-
Refundable advances (Note F)	1,347,232	1,129,977
TOTAL LIABILITIES	1,926,328	1,358,962
 COMMITMENTS AND CONTINGENCIES (Note J)		
 NET ASSETS		
Unrestricted	20,031	416,179
Temporarily restricted (Note I)	255,000	92,000
TOTAL NET ASSETS	275,031	508,179
 TOTAL LIABILITIES AND NET ASSETS	\$ 2,201,359	\$ 1,867,141

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, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions - foundations	\$ 765,105	\$ 255,000	\$ 1,020,105	\$ 494,000	\$ 92,000	\$ 586,000
Contributions - other	257,785	-	257,785	99,061	-	99,061
Special events (net of expenses of \$89,842 in 2013 and \$85,441 in 2012)	341,963	-	341,963	304,984	-	304,984
Government contracts (Note F)	5,707,111	-	5,707,111	5,253,870	-	5,253,870
Training revenue	27,764	-	27,764	9,441	-	9,441
Interest	69	-	69	1,164	-	1,164
Net assets released from restrictions	92,000	(92,000)	-	177,000	(177,000)	-
TOTAL SUPPORT AND REVENUE	<u>7,191,797</u>	<u>163,000</u>	<u>7,354,797</u>	<u>6,339,520</u>	<u>(85,000)</u>	<u>6,254,520</u>
EXPENSES:						
Program services	6,639,286	-	6,639,286	5,541,393	-	5,541,393
Management and general	613,520	-	613,520	570,348	-	570,348
Fundraising and development	335,139	-	335,139	327,868	-	327,868
TOTAL EXPENSES	<u>7,587,945</u>	<u>-</u>	<u>7,587,945</u>	<u>6,439,609</u>	<u>-</u>	<u>6,439,609</u>
CHANGE IN NET ASSETS	<u>(396,148)</u>	<u>163,000</u>	<u>(233,148)</u>	<u>(100,089)</u>	<u>(85,000)</u>	<u>(185,089)</u>
Net Assets - Beginning of Year	<u>416,179</u>	<u>92,000</u>	<u>508,179</u>	<u>516,268</u>	<u>177,000</u>	<u>693,268</u>
NET ASSETS - END OF YEAR	<u>\$ 20,031</u>	<u>\$ 255,000</u>	<u>\$ 275,031</u>	<u>\$ 416,179</u>	<u>\$ 92,000</u>	<u>\$ 508,179</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, 2013 AND 2012

	2013				2012			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 4,836,524	\$ 409,733	\$ 234,776	\$ 5,481,033	\$ 3,924,537	\$ 385,367	\$ 197,267	\$ 4,507,171
Payroll taxes and benefits (Note H)	821,538	69,598	39,880	931,016	741,207	72,783	37,256	851,246
Total salaries and related costs	5,658,062	479,331	274,656	6,412,049	4,665,744	458,150	234,523	5,358,417
Professional fees	29,643	60,343	298	90,284	102,164	40,758	2,011	144,933
Occupancy (Note J)	520,686	40,605	23,218	584,509	428,434	42,070	21,535	492,039
Case related expenses	88,105	-	-	88,105	72,049	-	-	72,049
Office supplies and expenses	49,162	4,164	2,387	55,713	45,264	4,445	2,275	51,984
Equipment and maintenance	39,649	3,358	1,926	44,933	16,416	1,612	825	18,853
Telephone	94,931	8,042	4,609	107,582	80,069	7,863	4,024	91,956
Research services and publications	41,449	3,511	2,012	46,972	39,376	3,867	1,979	45,222
Travel and conferences	18,013	-	-	18,013	16,661	-	-	16,661
Insurance	22,305	7,760	1,083	31,148	23,501	6,585	1,181	31,267
Interest (Note J)	14,501	1,228	704	16,433	753	74	37	864
Fundraising	-	-	21,278	21,278	-	-	56,958	56,958
Other expenses	27,248	2,168	1,241	30,657	31,710	3,033	1,554	36,297
Depreciation and amortization	35,532	3,010	1,727	40,269	19,252	1,891	966	22,109
TOTAL EXPENSES	\$ 6,639,286	\$ 613,520	\$ 335,139	\$ 7,587,945	\$ 5,541,393	\$ 570,348	\$ 327,868	\$ 6,439,609

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (233,148)	\$ (185,089)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	40,269	22,109
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(318,398)	445,032
Contributions receivable	(351,356)	(100,947)
Prepaid expenses and other assets	26,688	(52,473)
Security deposits	890	(52,352)
(Decrease) increase in liabilities:		
Accrued expenses and other payables	79,386	(186,609)
Refundable advances	217,255	528,714
Net Cash (Used) Provided by Operating Activities	<u>(538,414)</u>	<u>418,385</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	<u>(157,036)</u>	<u>(51,942)</u>
Net Cash Used by Investing Activities	<u>(157,036)</u>	<u>(51,942)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	542,411	-
Principal repayments of loan payable	(458,686)	(207,752)
Proceeds from line of credit	4,026,494	615,000
Repayment of line of credit	<u>(3,839,494)</u>	<u>(615,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>270,725</u>	<u>(207,752)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(424,725)	158,691
Cash and cash equivalents - beginning of year	<u>428,219</u>	<u>269,528</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,494</u>	<u>\$ 428,219</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 16,433</u>	<u>\$ 864</u>

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

CENTER FOR FAMILY REPRESENTATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note A – Organization and Nature of Activities

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 September 22, 2014.

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.

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. CFR is no longer subject to examination by federal tax authorities for fiscal years prior to 2010.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)

Note B – Summary of Significant Accounting Policies (Continued)

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.

Note C – Accounts Receivable

Accounts receivable consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
The City of New York Criminal Justice Coordinator (“CJC”)	\$ 755,339	\$ 568,765
New York State Division of Criminal Justice Services (“CJS”)	93,471	82,547
New York State Office of Court Administration (“OCA”)	245,443	122,068
Other	<u>2,927</u>	<u>5,402</u>
	<u>\$1,097,180</u>	<u>\$ 778,782</u>

Note D – Contributions Receivable

Contributions receivable at December 31, 2013 and 2012 are all due within one year.

Note E – Property and Equipment

Property and equipment consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 172,508	\$ 66,207
Furniture and fixtures	148,229	97,494
Equipment	<u>53,114</u>	<u>53,114</u>
	373,851	216,815
Less: accumulated depreciation and amortization	<u>97,103</u>	<u>56,834</u>
	<u>\$ 276,748</u>	<u>\$ 159,981</u>

Note F – Concentrations

- 1) For the years ended December 31, 2013 and 2012, approximately 72% and 79%, 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, 2014.

Refundable advances consist of \$1,347,232 and \$1,129,977 as of December 31, 2013 and 2012, respectively, advanced by CJC under the contracts.

- 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. Although at times CFR’s aggregate bank balances may exceed federally insured limits, management believes that credit risk related to these accounts is minimal.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)

Note G – Loan Payable

In December 2013, 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 CFR's contract with CJS. The agreement provided for a loan in the amount of \$83,725. The loan does not bear interest. The maturity date of the agreement is February 1, 2014. As of December 31, 2013, the outstanding loan balance was \$83,725. The loan balance was paid off by the maturity date.

Note H – Pension Plan

CFR has 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. No contributions were made to the Plan for the years ended December 31, 2013 and 2012, respectively.

Note I – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 and 2012 were subject to the following restrictions:

	<u>2013</u>	<u>2012</u>
Time restrictions	\$ 70,000	\$ 75,000
Program restrictions	-	-
Time and program restrictions	185,000	-
Facility renovations and purchases of equipment	-	17,000
	<u>\$ 255,000</u>	<u>\$ 92,000</u>

Note J – Commitments and Contingencies

- 1) CFR leases office space under various operating leases that expire on various dates through September, 2027.

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

For the years ended December 31, 2014	\$ 668,805
2015	676,424
2016	707,643
2017	739,986
2018	770,481
Thereafter	<u>4,285,611</u>
	<u>\$ 7,848,950</u>

Rent expense amounted to \$524,442 and \$380,578, respectively, for the years ended December 31, 2013 and 2012.

- 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, 2013, \$187,000 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.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)

Note K – Subsequent Events

- 1) CFR has experienced deficits in the last two fiscal years, which are due in part to the fact that the funding under its contract with CJC (effective January, 2014, CJC's name has been changed to the Mayor's Office of Criminal Justice "MOCJ") did not adequately cover the related costs. In 2014, CFR signed a new contract with MOCJ which commenced on July 1, 2014. The contract increases the rate of funding for new cases by 41% and includes payment of \$1,200,000 for "pending cases," that is cases which were active on June 30, 2014 prior to the new contract. The large majority of these cases were active on December 31, 2013. The payment for pending cases essentially addresses (on a prospective basis) the underfunding of the prior contract year.

- 2) In April, 2014, CFR executed a loan agreement with a Not-for-Profit organization. The total amount available under the agreement is \$750,000. Ninety percent of the outstanding debt under this agreement is guaranteed by an unrelated Not-for-Profit corporation. The term of this guaranty is two years. The maturity date of the loan is the earlier of April 30, 2016 or three months prior to the termination of the Guaranty of Payment.