

**CENTER FOR FAMILY REPRESENTATION, INC**  
**FINANCIAL STATEMENTS**  
**(WITH INDEPENDENT AUDITORS' REPORT)**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2012 AND 2011**

**CENTER FOR FAMILY REPRESENTATION, INC  
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(WITH INDEPENDENT AUDITORS' REPORT)  
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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, 2012 and 2011, 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***

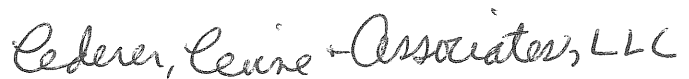
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2012 and 2011 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.

  
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Lederer, Levine & Associates, LLC

August 5, 2013

**CENTER FOR FAMILY REPRESENTATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes B and F)	\$ 428,219	\$ 269,528
Accounts receivable, net (Note C)	778,782	1,223,814
Contributions receivable (Note D)	218,417	117,470
Prepaid expenses and other assets	108,790	56,317
Property and equipment (Notes B and E)	159,981	130,148
Security deposits	172,952	120,600
<b>TOTAL ASSETS</b>	<b>\$ 1,867,141</b>	<b>\$ 1,917,877</b>
 <b>LIABILITIES</b>		
Accrued expenses and other payables	\$ 228,985	\$ 415,594
Loan payable	-	207,752
Refundable advances (Note F)	1,129,977	601,263
<b>TOTAL LIABILITIES</b>	<b>1,358,962</b>	<b>1,224,609</b>
 <b>COMMITMENTS AND CONTINGENCIES (Note I)</b>		
 <b>NET ASSETS</b>		
Unrestricted	416,179	516,268
Temporarily restricted (Note H)	92,000	177,000
<b>TOTAL NET ASSETS</b>	<b>508,179</b>	<b>693,268</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,867,141</b>	<b>\$ 1,917,877</b>

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, 2012 AND 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions - foundations	\$ 494,000	\$ 92,000	\$ 586,000	\$ 263,000	\$ 177,000	\$ 440,000
Contributions - other	99,061	-	99,061	152,995	-	152,995
Special events (net of expenses of \$85,441 in 2012 and \$68,1659 in 2011)	304,984	-	304,984	170,772	-	170,772
Government contracts (Note F)	5,253,870	-	5,253,870	5,204,289	-	5,204,289
Training revenue	9,441	-	9,441	24,013	-	24,013
Interest	1,164	-	1,164	275	-	275
Other income	-	-	-	347	-	347
Net assets released from restrictions	177,000	(177,000)	-	75,000	(75,000)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>6,339,520</u>	<u>(85,000)</u>	<u>6,254,520</u>	<u>5,890,691</u>	<u>102,000</u>	<u>5,992,691</u>
<b>EXPENSES:</b>						
Program services	5,541,393	-	5,541,393	4,944,778	-	4,944,778
Management and general	570,348	-	570,348	322,133	-	322,133
Fundraising and development	327,868	-	327,868	267,760	-	267,760
<b>TOTAL EXPENSES</b>	<u>6,439,609</u>	<u>-</u>	<u>6,439,609</u>	<u>5,534,671</u>	<u>-</u>	<u>5,534,671</u>
<b>CHANGE IN NET ASSETS</b>	(100,089)	(85,000)	(185,089)	356,020	102,000	458,020
<b>Net Assets - Beginning of Year</b>	516,268	177,000	693,268	160,248	75,000	235,248
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 416,179</u>	<u>\$ 92,000</u>	<u>\$ 508,179</u>	<u>\$ 516,268</u>	<u>\$ 177,000</u>	<u>\$ 693,268</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, 2012 AND 2011**

	2012			2011			
	Program Services	Management and General	Fundraising and Development	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 3,924,537	\$ 385,367	\$ 197,267	\$ 3,256,942	\$ 232,351	\$ 160,157	\$ 3,649,450
Payroll taxes and benefits (Note G)	741,207	72,783	37,256	673,666	45,314	36,251	755,231
Total salaries and related costs	4,665,744	458,150	234,523	3,930,608	277,665	196,408	4,404,681
Professional fees	102,164	40,758	2,011	133,786	9,451	26,386	169,623
Occupancy (Note I)	428,434	42,070	21,535	518,042	15,763	10,047	543,852
Case related expenses	72,049	-	-	56,399	-	-	56,399
Office supplies and expenses	45,264	4,445	2,275	45,633	3,412	3,783	52,828
Equipment and maintenance	16,416	1,612	825	28,114	1,987	1,405	31,506
Telephone	80,069	7,863	4,024	60,999	4,309	3,049	68,357
Research services and publications	39,376	3,867	1,979	36,669	298	718	37,685
Travel and conferences	16,661	-	-	9,814	438	310	10,562
Insurance	23,501	6,585	1,181	21,375	1,510	1,069	23,954
Interest (Note I)	753	74	37	7,517	531	375	8,423
Fundraising	-	-	56,958	-	-	19,419	19,419
Other expenses	31,710	3,033	1,554	35,532	2,510	1,778	39,820
Retirement of fixed assets	-	-	-	41,097	2,903	2,054	46,054
Depreciation and amortization	19,252	1,891	966	19,193	1,356	959	21,508
<b>TOTAL EXPENSES</b>	<b>\$ 5,541,393</b>	<b>\$ 570,348</b>	<b>\$ 327,868</b>	<b>\$ 4,944,778</b>	<b>\$ 322,133</b>	<b>\$ 267,760</b>	<b>\$ 5,534,671</b>

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, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (185,089)	\$ 458,020
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,109	21,508
Retirement of fixed assets	-	46,054
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	445,032	(513,635)
Contributions receivable	(100,947)	(37,089)
Amount held in escrow	-	250,000
Prepaid expenses and other assets	(52,473)	(18,105)
Security deposits	(52,352)	(58,533)
(Decrease) increase in liabilities:		
Accrued expenses and other payables	(186,609)	166,410
Refundable advances	528,714	6,155
<b>Net Cash Provided by Operating Activities</b>	<b>418,385</b>	<b>320,785</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment acquisitions	(51,942)	(143,044)
<b>Net Cash Used by Investing Activities</b>	<b>(51,942)</b>	<b>(143,044)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loan payable	-	694,491
Principal repayments of loans payable	(207,752)	(486,739)
Proceeds from line of credit	615,000	1,930,880
Repayment of line of credit	(615,000)	(2,070,539)
<b>Net Cash (Used) Provided by Financing Activities</b>	<b>(207,752)</b>	<b>68,093</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>158,691</b>	<b>245,834</b>
Cash and cash equivalents - beginning of year	269,528	23,694
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 428,219</b>	<b>\$ 269,528</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 864	\$ 8,423

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

**CENTER FOR FAMILY REPRESENTATION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**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 August 5, 2013.

**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 2009.



**CENTER FOR FAMILY REPRESENTATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**  
**(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.

**Reclassification**

Certain line items in the December 31, 2011 financial statements have been reclassified to conform to the December 31, 2012 presentation.

**Note C – Accounts Receivable**

Accounts receivable consist of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
The City of New York Criminal Justice Coordinator (“CJC”)	\$ 568,765	\$ 889,933
New York State Office of Children and Family Services (“OCFS”)	-	220,680
New York State Division of Criminal Justice Services (“CJS”)	82,547	94,372
New York State Office of Court Administration (“OCA”)	122,068	-
Other	<u>5,402</u>	<u>18,829</u>
	<u>\$ 778,782</u>	<u>\$1,223,814</u>

**Note D – Contributions Receivable**

Contributions receivable at December 31, 2012 and 2011 are all due within one year.

**Note E – Property and Equipment**

Property and equipment consist of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 66,207	\$ 65,000
Furniture and fixtures	97,494	46,759
Equipment	<u>53,114</u>	<u>53,114</u>
	216,815	164,873
Less: accumulated depreciation and amortization	<u>56,834</u>	<u>34,725</u>
	<u>\$ 159,981</u>	<u>\$ 130,148</u>

**Note F – Concentrations**

- 1) For the years ended December 31, 2012 and 2011, approximately 79% and 87%, 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 \$1,129,977 and \$601,263 as of December 31, 2012 and 2011, 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. At December 31, 2012 and 2011 the uninsured balances amounted to \$150,080 and \$0-, respectively. Management believes credit risk related to these accounts to be minimal.

**CENTER FOR FAMILY REPRESENTATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**  
**(continued)**

**Note G – 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. Pension plan expense amounted to approximately \$0- and \$80,000 for the years ended December 31, 2012 and 2011, respectively.

**Note H – Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2012 and 2011 were subject to the following restrictions:

	<u>2012</u>	<u>2011</u>
Time restrictions	\$ 75,000	\$ -
Program restrictions	-	157,000
Facility renovations and purchases of equipment	<u>17,000</u>	<u>20,000</u>
	<u>\$ 92,000</u>	<u>\$ 177,000</u>

**Note I – 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, 2013	\$ 556,514
2014	668,805
2015	676,424
2016	707,643
2017	739,986
Thereafter	<u>5,056,092</u>
	<u>\$ 8,405,464</u>

Rent expense amounted to \$380,578 and \$136,828, respectively, for the years ended December 31, 2012 and 2011.

- 2) In September, 2012, CFR entered into a lease for office space in Queens, NY. The lease calls for the landlord to reimburse CFR for up to \$1,300,000 of costs related to the renovation of the space. In addition, the landlord has agreed to provide up to \$200,000 of funds for the renovation, which would be charged back to CFR as additional rent.

In connection with the renovation of the Queens office, CFR entered into a contract with a construction company. The total amount of the contract is \$1,453,869 (including change orders). As of December 31, 2012, CFR had paid the contractor \$380,754.

- 3) 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.
- 4) CFR has established a bank line of credit with a current borrowing limit of \$450,000. As of December 31, 2012, 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.