

CENTER FOR FAMILY REPRESENTATION, INC
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S 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, 2017 and 2016, 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.

Basis for Qualified Opinion

As more fully described in Note J to the financial statements, CFR records rent expense in accordance with the terms of the lease as it becomes payable. In our opinion, rent expense should be recorded on the straight-line basis over the life of the lease to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of not recording rent expense over the life of the lease on the straight-line basis, as discussed in the preceding paragraph, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Lederer, Levine & Associates, LLC

CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 1,198,726	\$ 1,619,997
Accounts receivable, net (Notes B and C)	1,443,911	883,393
Contributions receivable (Note D)	173,091	113,678
Prepaid expenses and other assets	94,476	105,842
Property and equipment (Notes B and E)	281,329	142,855
Security deposits	178,700	178,700
TOTAL ASSETS	\$ 3,370,233	\$ 3,044,465
 LIABILITIES		
Accrued expenses and other payables	\$ 436,923	\$ 318,362
Loan Payable (Note G)	-	250,000
Refundable advances (Note B)	1,670,429	1,646,641
Deferred rent payable (Note J)	96,614	122,963
TOTAL LIABILITIES	2,203,966	2,337,966
 COMMITMENTS AND CONTINGENCIES (Note J)		
 NET ASSETS		
Unrestricted	1,018,767	363,641
Temporarily restricted (Note I)	147,500	342,858
TOTAL NET ASSETS	1,166,267	706,499
TOTAL LIABILITIES AND NET ASSETS	\$ 3,370,233	\$ 3,044,465

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, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions - foundations	\$ 316,535	\$ 103,959	\$ 420,494	\$ 159,957	\$ 325,046	\$ 485,003
Contributions - other	171,079	-	171,079	236,981	-	236,981
Special events (net of expenses of \$142,869 in 2017 and \$103,288 in 2016)	480,834	-	480,834	276,396	-	276,396
Government contracts (Note F)	7,892,607	-	7,892,607	7,131,187	-	7,131,187
Training revenue	14,254	-	14,254	28,908	-	28,908
Interest	930	-	930	457	-	457
Net assets released from restrictions	299,317	(299,317)	-	368,733	(368,733)	-
TOTAL SUPPORT AND REVENUE	9,175,556	(195,358)	8,980,198	8,202,619	(43,687)	8,158,932
EXPENSES						
Program services	7,589,088	-	7,589,088	6,464,113	-	6,464,113
Management and general	760,387	-	760,387	816,879	-	816,879
Fundraising and development	170,955	-	170,955	244,130	-	244,130
TOTAL EXPENSES	8,520,430	-	8,520,430	7,525,122	-	7,525,122
CHANGE IN NET ASSETS	655,126	(195,358)	459,768	677,497	(43,687)	633,810
NET ASSETS - BEGINNING OF YEAR	363,641	342,858	706,499	(313,856)	386,545	72,689
NET ASSETS - END OF YEAR	\$ 1,018,767	\$ 147,500	\$ 1,166,267	\$ 363,641	\$ 342,858	\$ 706,499

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, 2017 AND 2016

	2017			2016			
	Program Services	Management and General	Fundraising and Development	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 5,002,798	\$ 480,650	\$ 62,616	\$ 4,367,608	\$ 538,806	\$ 86,844	\$ 4,993,258
Payroll taxes and benefits (Note H)	936,842	90,008	11,726	773,361	95,405	15,377	884,143
Total salaries and related costs	5,939,640	570,658	74,342	5,140,969	634,211	102,221	5,877,401
Professional fees	210,638	77,378	66,113	124,592	51,308	108,475	284,375
Occupancy (Note J)	815,082	78,310	10,202	724,343	89,358	14,403	828,104
Case related expenses	187,590			128,615	-	-	128,615
Office supplies and expenses	54,448	5,231	682	41,082	5,068	817	46,967
Equipment and maintenance	68,163	6,549	853	41,356	5,102	822	47,280
Telephone	110,182	10,586	1,378	88,747	10,948	1,765	101,460
Research services and publications	51,745	-	-	50,420	-	-	50,420
Travel and conferences	30,087	-	-	19,728	-	-	19,728
Insurance	28,787	2,766	360	22,921	8,017	455	31,393
Interest (Note G)	83	8	1	3,832	473	76	4,381
Fundraising	-	-	15,862	-	-	13,555	13,555
Other expenses	51,502	4,948	647	34,455	7,083	685	42,223
Depreciation and amortization	41,141	3,953	515	43,053	5,311	856	49,220
TOTAL EXPENSES	\$ 7,589,088	\$ 760,387	\$ 170,955	\$ 6,464,113	\$ 816,879	\$ 244,130	\$ 7,525,122

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 459,768	\$ 633,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	45,609	49,220
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(560,518)	(82,339)
Contributions receivable	(59,413)	425,980
Prepaid expenses and other assets	11,366	(36,391)
Increase (Decrease) in liabilities:		
Accrued expenses and other payables	118,561	95,649
Refundable advances	23,788	477,350
Deferred rent payable	(26,349)	(26,349)
Net Cash Provided by Operating Activities	<u>12,812</u>	<u>1,536,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	<u>(184,083)</u>	<u>(1,565)</u>
Net Cash Used by Investing Activities	<u>(184,083)</u>	<u>(1,565)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	1,821,926
Principal repayments of line of credit	-	(1,999,426)
Principal repayments of loan payable	<u>(250,000)</u>	<u>-</u>
Net Cash Used by Financing Activities	<u>(250,000)</u>	<u>(177,500)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(421,271)	1,357,865
Cash and cash equivalents - beginning of year	<u>1,619,997</u>	<u>262,132</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,198,726</u>	<u>\$ 1,619,997</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 92</u>	<u>\$ 4,381</u>

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

CENTER FOR FAMILY REPRESENTATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 City 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 receives its principal revenue from government contracts and contributions.

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 for not-for-profit organizations set forth by 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 July 16, 2018.

Cash and Cash Equivalents

CFR considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts and Contributions Receivable

CFR’s accounts and contributions receivable balances at December 31, 2017 and 2016 includes no allowance for doubtful accounts. Such estimate is based on management’s assessment of the credit worthiness of its funding sources, current economic conditions and historical information.

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.

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.

Revenue Recognition and Refundable Advances

Revenue from government contracts is recorded as income in the period that services are performed. Refundable advances consists of amounts received from government funding sources toward future services.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(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

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Note C – Accounts Receivable

Accounts receivable consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mayor's Office of Criminal Justice ("MOCJ")	\$1,181,429	\$ 495,972
New York State Division of Criminal Justice Services ("DCJS")	28,218	28,218
New York State Office of Court Administration ("OCA")	187,119	321,069
Interest on Lawyer Account	21,875	37,500
Dormitory Authority of the State of New York ("DASNY")	25,270	
Other		634
	<u>\$1,443,911</u>	<u>\$ 883,393</u>

Note D – Contributions Receivable

Contributions receivable consist of the following as of December 31, 2017 and 2016:

Unconditional promises to be collected in:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 123,091	\$ 70,136
One to five years	50,000	45,833
	173,091	115,969
Less: discount to present value (with rate of 5%)		(2,291)
Total	<u>\$ 173,091</u>	<u>\$ 113,678</u>

Note E – Property and Equipment

Property and equipment consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 341,714	\$ 172,508
Furniture and fixtures	188,962	174,085
Equipment	53,114	53,114
	583,790	399,707
Less: accumulated depreciation and amortization	302,461	256,852
	<u>\$ 281,329</u>	<u>\$ 142,855</u>

Note F – Concentrations

- 1) For the years ended December 31, 2017 and 2016, approximately 74% and 77%, respectively, of CFR's support and revenue was from one government funder. The funder is MOCJ, and the current contract with MOCJ expires on June 30, 2018. The contract includes a clause that provides that, at the sole discretion of MOCJ, it may be renewed twice for a period of two years for each renewal. MOCJ has informed CFR that it intends to renew the contract for the two-year period to end June 30, 2020.
- 2) CFR maintains several bank accounts at financial institutions which are 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, 2017 AND 2016
(continued)

Note G – Loan Payable

On April 25, 2014, CFR executed a loan agreement with a not-for-profit organization. The loan bore interest at 3% plus prime (as published in the Wall Street Journal) and was due quarterly. The loan agreement included a number of restrictive covenants, including the prohibition that CFR may not enter into additional or subordinate financing so long as the loan was outstanding. CFR repaid the loan balance of \$250,000 in May of 2017.

Note H – Pension Plan

CFR provides a defined contribution plan for its employees. Contributions are discretionary as determined annually by the Board of Directors. Pension expense for the years ended December 31, 2017 and 2016 amounted to \$111,417 and \$79,490, respectively.

Note I – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 were subject to the following restrictions:

	<u>2017</u>	<u>2016</u>
Community Redevelopment Legal Services	\$ 50,000*	\$ 97,708*
Enhancing Family Advocacy Teams	37,500*	
Home for Good	30,000*	200,000*
Employee Self Care	30,000	26,400
Low Income Legal Services		<u>18,750*</u>
	<u>\$ 147,500</u>	<u>\$ 342,858</u>

*These items are also time restricted.

Note J – Commitments and Contingencies

- CFR leases office space under operating leases that expire on various dates through September, 2027. CFR also leases equipment under operating leases with terms that expire through 2019.

CFR records rent expense in accordance with the lease terms, rather than on the straight-line basis as is required under accounting principles generally accepted in the United States of America. If the rent expense had been recorded on the straight-line basis, deferred rent payable would be reflected in the amounts of approximately \$576,000 and \$607,000, as of December 31, 2017 and 2016, respectively. In addition, rent expense would be decreased by approximately \$24,000 and \$1,000, respectively, for the years then ended.

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

For the years ended December 31, 2018	\$ 805,355
2019	811,020
2020	816,659
2021	662,711
2022	345,600
Thereafter	<u>1,728,000</u>
	<u>\$ 5,169,345</u>

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(continued)

Note J – Commitments and Contingencies (continued)

Rent expense amounted to \$734,286 and \$709,143, respectively, for the years ended December 31, 2017 and 2016. In January 2014, one of CFR's landlords agreed to defer rent payments for a six month period, with payments to resume July 1, 2015. The deferred portion of the rent is to be paid over the balance of the lease term. The balance of deferred rent payable as of December 31, 2017 is \$96,614.

- 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, 2017, the outstanding balance was \$-0-. 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.