

**CENTER FOR FAMILY REPRESENTATION, INC**  
**FINANCIAL STATEMENTS**  
**(WITH INDEPENDENT AUDITORS' REPORT)**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2010 AND 2009**

**CENTER FOR FAMILY REPRESENTATION, INC  
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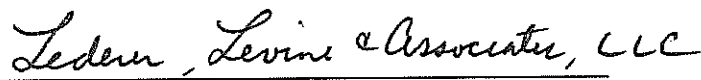
INDEPENDENT AUDITORS' REPORT

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, 2010 and 2009, 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, 2010 and 2009, 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  
Lederer, Levine & Associates, LLC

New York, NY  
July 7, 2011

**CENTER FOR FAMILY REPRESENTATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes B and F)	\$ 23,694	\$ 201,088
Accounts receivable, net (Note C)	710,179	424,633
Contributions receivable (Note D)	80,381	20,708
Amount held in escrow (Note I)	250,000	-
Prepaid expenses and other assets	38,212	59,030
Property and equipment (Notes B and E)	54,666	69,513
Security deposit	62,067	62,067
	<u>1,219,199</u>	<u>837,039</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,219,199</b>	<b>\$ 837,039</b>
<b>LIABILITIES</b>		
Accrued expenses and other payables	\$ 249,184	\$ 122,688
Line of Credit (Note I)	139,659	-
Refundable advances (Note F)	595,108	595,108
	<u>983,951</u>	<u>717,796</u>
<b>TOTAL LIABILITIES</b>	<b>983,951</b>	<b>717,796</b>
<b>COMMITMENTS AND CONTINGENCIES (Note I)</b>		
<b>NET ASSETS</b>		
Unrestricted	160,248	119,243
Temporarily restricted (Note H)	75,000	-
	<u>235,248</u>	<u>119,243</u>
<b>TOTAL NET ASSETS</b>	<b>235,248</b>	<b>119,243</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,219,199</b>	<b>\$ 837,039</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, 2010 AND 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions - foundations	\$ 375,209	\$ 75,000	\$ 450,209	\$ 295,750	-	\$ 295,750
Contributions - other	250,647	-	250,647	94,990	-	94,990
Special event (net of expenses of \$58,179.00 in 2010 and \$0 in 2009)	144,081	-	144,081	-	-	-
Government contracts (Note F)	2,852,179	-	2,852,179	2,824,461	-	2,824,461
Training revenue	18,477	-	18,477	4,500	-	4,500
Interest	59	-	59	411	-	411
Other income (Note I)	250,000	-	250,000	-	-	-
Net assets released from restrictions	-	-	-	250,587	(250,587)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,890,652</u>	<u>75,000</u>	<u>3,965,652</u>	<u>3,470,699</u>	<u>(250,587)</u>	<u>3,220,112</u>
<b>EXPENSES:</b>						
Program services	3,281,073	-	3,281,073	3,216,770	-	3,216,770
Management and general	284,274	-	284,274	286,022	-	286,022
Fundraising and development	284,300	-	284,300	198,742	-	198,742
<b>TOTAL EXPENSES</b>	<u>3,849,647</u>	<u>-</u>	<u>3,849,647</u>	<u>3,701,534</u>	<u>-</u>	<u>3,701,534</u>
<b>CHANGE IN NET ASSETS</b>	41,005	75,000	116,005	(230,835)	(250,587)	(481,422)
<b>Net Assets - Beginning of Year</b>	119,243	-	119,243	350,078	250,587	600,665
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 160,248</u>	<u>\$ 75,000</u>	<u>\$ 235,248</u>	<u>\$ 119,243</u>	<u>\$ -</u>	<u>\$ 119,243</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, 2010 AND 2009**

	2010			2009				
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 2,249,783	\$ 176,670	\$ 148,992	\$ 2,575,445	\$ 2,127,932	\$ 178,551	\$ 105,935	\$ 2,412,418
Payroll taxes and benefits (Note G)	455,984	35,807	30,197	521,988	450,620	37,810	22,435	510,865
Total salaries and related costs	2,705,767	212,477	179,189	3,097,433	2,578,552	216,361	128,370	2,923,283
Professional fees	49,429	17,273	52,837	119,539	63,798	17,853	14,427	96,078
Occupancy (Note I)	337,705	26,519	22,365	386,589	353,621	29,672	17,605	400,898
Case related expenses	25,240	-	-	25,240	45,322	-	-	45,322
Office supplies and expense	29,215	2,103	1,775	33,093	26,045	2,186	1,295	29,526
Equipment and maintenance	11,813	928	782	13,523	19,147	1,606	954	21,707
Telephone	42,352	3,323	2,803	48,478	42,664	3,580	2,123	48,367
Research services and publications	27,208	2,108	1,778	31,094	28,336	2,377	1,411	32,124
Travel and conferences	5,156	13	11	5,180	11,934	-	-	11,934
Insurance	17,872	2,148	1,184	21,204	19,361	1,624	965	21,950
Interest	-	13,092	-	13,092	-	7,774	-	7,774
Fundraising	-	-	18,422	18,422	-	-	30,479	30,479
Other expenses	16,346	3,272	2,294	21,912	14,894	1,890	461	17,245
Depreciation and amortization	12,970	1,018	860	14,848	13,096	1,099	652	14,847
<b>TOTAL EXPENSES</b>	<b>\$ 3,281,073</b>	<b>\$ 284,274</b>	<b>\$ 284,300</b>	<b>\$ 3,849,647</b>	<b>\$ 3,216,770</b>	<b>\$ 286,022</b>	<b>\$ 198,742</b>	<b>\$ 3,701,534</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, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 116,005	\$ (481,422)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	14,848	14,847
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(285,546)	938
Contributions receivable	(59,673)	241,719
Amount held in escrow	(250,000)	-
Prepaid expenses and other assets	20,818	(16,385)
(Decrease) increase in liabilities:		
Accrued expenses and other payables	126,496	(6,232)
Refundable advances	-	(14,892)
<b>Net Cash Used by Operating Activities</b>	<u>(317,052)</u>	<u>(261,427)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loans payable	-	1,040,713
Principal repayments of loans payable	-	(1,040,713)
Proceeds from line of credit	139,659	-
<b>Net Cash Provided by Financing Activities</b>	<u>139,659</u>	<u>-</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(177,393)	(261,427)
Cash and cash equivalents - beginning of year	201,088	462,515
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 23,695</u>	<u>\$ 201,088</u>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 13,092</u>	<u>\$ 7,774</u>

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

**CENTER FOR FAMILY REPRESENTATION, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**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 resulted 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 July 7, 2011.

**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, 2010 AND 2009  
 (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 have the highest reliability and are related 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. The adoption of the above had no impact on the financial statements.

**Reclassification**

Certain line items in the December 31, 2009 financial statements have been reclassified to conform to the December 31, 2010 presentation.

**Note C – Accounts Receivable**

Accounts receivable consist of the following as of December 31, 2010 and 2009:

	2010	2009
The City of New York Criminal Justice Coordinator ("CJC")	\$ 381,944	\$ 147,728
New York State Office of Children and Family Services ("OCFS")	216,492	54,723
New York State Division of Criminal Justice Services ("CJS")	84,375	122,182
Other	27,368	100,000
	\$ 710,179	\$ 424,633

**Note D – Contributions Receivable**

Contributions receivable at December 31, 2010 and 2009 are all due within one year.

**Note E – Property and Equipment**

Property and equipment consist of the following as of December 31, 2010 and 2009:

	2010	2009
Leasehold improvements	\$ 68,135	\$ 68,135
Equipment	33,952	33,952
	102,087	102,087
Less: accumulated depreciation and amortization	47,422	32,574
	\$ 54,666	\$ 69,513

**CENTER FOR FAMILY REPRESENTATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**  
**(continued)**

**Note F – Concentrations**

- 1) For the years ended December 31, 2010 and 2009, approximately 72% and 75%, respectively, of CFR's support and revenue was generated under one government contract. The contract is with CJC, and has an expiration date of June 30, 2011. The contract includes a renewal clause (at the option of CJC) for the period July 1, 2011 through June 30, 2013. At July 1, 2011 the renewal has been signed by CJC. The original contract with CJC included start up funding to support CFR's expansion.

Included in refundable advances is approximately \$595,108 and \$595,108 as of December 31, 2010 and 2009, respectively, advanced by CJC under the contract.

- 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, 2010 and 2009 there were no uninsured balances. Management believes that credit risk related to these accounts to be minimal.

**Note G – 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 \$-0- for the years ended December 31, 2010 and 2009.

**Note H – Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2010 relate to a contribution receivable which is scheduled to be paid to CFR on August 1, 2011.

**Note I – Commitments and Contingencies**

- 1) CFR leases office space for its program and supporting services. In August, 2007, CFR entered into a lease for increased office space. The original expiration date of the lease was July 31, 2017. Rent expense amounted to \$368,511 and \$385,686 for the years ended December 31, 2010 and 2009. In December, 2010, CFR terminated the lease. Under the terms of the termination agreement, CFR would receive a payment of \$250,000 subject to certain conditions. At December 31, 2010, this payment was placed in escrow for CFR. As of July 1, 2011, approximately \$242,000 of the escrowed amount has been received by CFR. It is anticipated that the balance will be received by CFR in 2011.
- 2) On February 17, 2011, CFR entered into a lease for new office space. The lease expires 10 years and 3 months from the date CFR began to occupy the new space (May, 2011). The base rent for the first year of the lease is \$361,800, and is subject to a 2% increase each year.
- 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, 2010, there was an outstanding balance of \$139,659. 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.