

CENTER FOR FAMILY REPRESENTATION, INC
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

**CENTER FOR FAMILY REPRESENTATION, INC
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LEDERER, LEVINE & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

KENNETH J. LEDERER, CPA
STEVEN J. LEVINE, CPA
DEREK A. FLANAGAN, CPA

1099 WALL STREET WEST - SUITE 280
LYNDHURST, NEW JERSEY 07071
(201) 933-3780
(201) 933-3575 FAX

149 MADISON AVENUE - 11th FLOOR
NEW YORK, NEW YORK 10016
(800) 269-3457 (NYC)

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, 2015 and 2014, 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

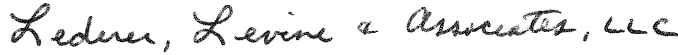
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2015 and 2014 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

May 6, 2016

**CENTER FOR FAMILY REPRESENTATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 262,132	\$ 749,714
Accounts receivable, net (Note C)	801,054	633,998
Contributions receivable (Note D)	539,658	282,100
Prepaid expenses and other assets	69,451	83,252
Property and equipment (Notes B and E)	190,510	243,746
Security deposits	<u>178,700</u>	<u>172,062</u>
TOTAL ASSETS	<u>\$ 2,041,505</u>	<u>\$ 2,164,872</u>
LIABILITIES		
Accrued expenses and other payables	\$ 222,713	\$ 369,780
Loan payable (Note G)	250,000	500,000
Line of credit (Note J)	177,500	-
Refundable advances (Note F)	1,169,291	863,494
Deferred rent payable (Note J)	<u>149,312</u>	<u>175,661</u>
TOTAL LIABILITIES	<u>1,968,816</u>	<u>1,908,935</u>
COMMITMENTS AND CONTINGENCIES (Note J)		
NET ASSETS		
Unrestricted (Note K)	(313,856)	28,437
Temporarily restricted (Note I)	<u>386,545</u>	<u>227,500</u>
TOTAL NET ASSETS	<u>72,689</u>	<u>255,937</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,041,505</u>	<u>\$ 2,164,872</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, 2015 AND 2014

	2015			2014		
	Program Services	Management and General	Fundraising and Development	Program Services	Management and General	Fundraising and Development
Salaries	\$ 4,477,381	\$ 339,886	\$ 261,099	\$ 4,703,798	\$ 411,077	\$ 223,559
Payroll taxes and benefits (Note H)	727,631	55,236	42,432	796,841	69,637	37,871
	<u>5,205,012</u>	<u>395,122</u>	<u>303,531</u>	<u>5,500,639</u>	<u>480,714</u>	<u>261,430</u>
Total salaries and related costs			5,903,665			6,242,783
Professional fees	67,658	61,178	137,244	50,948	73,359	1,956
Occupancy (Note J)	694,148	52,694	40,478	702,882	61,427	33,407
Case related expenses	105,686	-	-	94,158	-	-
Office supplies and expenses	48,200	3,658	2,811	38,523	3,366	1,831
Equipment and maintenance	37,554	2,851	2,189	35,103	3,068	1,669
Telephone	86,943	6,600	5,068	87,506	7,648	4,158
Research services and publications	47,596	-	-	44,845	-	-
Travel and conferences	22,939	-	-	16,129	-	-
Insurance	28,688	2,178	1,670	29,003	2,534	1,379
Interest (Notes G and J)	11,460	870	668	15,534	1,358	738
Fundraising	-	-	13,734	-	-	15,616
Other expenses	34,472	631	484	24,145	836	459
Depreciation and amortization	50,588	3,840	2,950	46,833	4,093	2,226
	<u>6,440,944</u>	<u>529,622</u>	<u>510,827</u>	<u>6,686,248</u>	<u>638,403</u>	<u>324,869</u>
Total Expenses			7,481,393			7,649,520
Less: Nonoperating expenses (Note B)	-	-	-	154,582	14,053	7,026
TOTAL OPERATING EXPENSES	<u>\$ 6,440,944</u>	<u>\$ 529,622</u>	<u>\$ 510,827</u>	<u>\$ 6,531,666</u>	<u>\$ 624,350</u>	<u>\$ 317,843</u>
			7,481,393			7,473,859

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (183,248)	\$ (19,094)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	57,378	53,152
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(167,056)	463,182
Contributions receivable	(257,558)	287,673
Prepaid expenses and other assets	13,801	(1,150)
Security deposits	(6,638)	-
(Decrease) Increase in liabilities:		
Accrued expenses and other payables	(147,067)	61,409
Refundable advances	305,797	(483,738)
Deferred rent payable	(26,349)	175,661
Net Cash (Used) Provided by Operating Activities	<u>(410,940)</u>	<u>537,095</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	<u>(4,142)</u>	<u>(20,150)</u>
Net Cash Used by Investing Activities	<u>(4,142)</u>	<u>(20,150)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	-	1,196,238
Principal repayments of loan payable	(250,000)	(779,963)
Proceeds from line of credit	3,593,000	2,928,500
Principal repayments of line of credit	<u>(3,415,500)</u>	<u>(3,115,500)</u>
Net Cash (Used) Provided by Financing Activities	<u>(72,500)</u>	<u>229,275</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(487,582)	746,220
Cash and cash equivalents - beginning of year	<u>749,714</u>	<u>3,494</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 262,132</u>	<u>\$ 749,714</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 12,998</u>	<u>\$ 17,630</u>

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

CENTER FOR FAMILY REPRESENTATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 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 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 May 6, 2016.

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.

Accounts Receivable

CFR’s accounts receivable balances at December 31, 2015 and 2014 includes no allowance for doubtful accounts. Such estimate is based on management’s assessment of the credit worthiness of its clients, current economic conditions and historical information.

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 toward future services.

Nonoperating Activities

CFR considers deferred rent expense to be nonoperating. (See Note J).

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Mayor's Office of Criminal Justice ("MOCJ")	\$ 438,062	\$ 451,584
New York State Division of Criminal Justice Services ("DCJS")	84,654	84,722
New York State Office of Court Administration ("OCA")	240,311	72,466
New York City Council	37,500	-
Other	527	25,226
	<u>\$ 801,054</u>	<u>\$ 633,998</u>

Note D – Contributions Receivable

Contributions receivable consist of the following as of December 31, 2015 and 2014:

Unconditional promises to be collected in:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 521,845	\$ 282,100
One to five years	18,750	-
	<u>540,595</u>	<u>282,100</u>
Less: discount to present value	(937)	-
Total	<u>\$ 539,658</u>	<u>\$ 282,100</u>

Note E – Property and Equipment

Property and equipment consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 172,508	\$ 172,508
Furniture and fixtures	172,521	168,379
Equipment	53,114	53,114
	<u>398,143</u>	<u>394,001</u>
Less: accumulated depreciation and amortization	207,633	150,255
	<u>\$ 190,510</u>	<u>\$ 243,746</u>

Note F – Concentrations

- 1) For the years ended December 31, 2015 and 2014, approximately 70% and 84%, 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, 2016. 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.
- 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, 2015 AND 2014
(continued)

Note G – Loan Payable

On April 25, 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 organization. The guaranty was executed April 28, 2014, and has a term of two years. The original maturity date of the loan was the earlier of April 30, 2016 or three months prior to the termination of the Guaranty of Payment. CFR is negotiating a short-term extension of the loan. In April, 2016, the guaranty term was extended to December 31, 2016. It is expected that the maturity date of the loan will be extended to September 30, 2016. The loan bears interest at 3% plus prime (as published in the Wall Street Journal) and is 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 this loan is outstanding. As of December 31, 2015, the outstanding loan balance was \$250,000.

Future annual principal payments are as follows for the years ending after December 31, 2015:

2016	\$ <u>250,000</u>
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Note H – Pension Plan

CFR has established a defined contribution pension plan (the “Plan”) covering all employees who 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, 2015 and 2014, respectively.

Note I – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 were subject to the following restrictions:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 125,000	\$ 50,000
Program restrictions	29,733	25,000
Time and program restrictions	<u>231,812</u>	<u>152,500</u>
	<u>\$ 386,545</u>	<u>\$ 227,500</u>

Note J – Commitments and Contingencies

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

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

For the years ended December 31, 2016	\$ 758,782
2017	779,199
2018	805,355
2019	811,020
2020	816,659
Thereafter	<u>2,736,311</u>
	<u>\$ 6,707,326</u>

Rent expense amounted to \$677,924 and \$670,308, respectively, for the years ended December 31, 2015 and 2014. In January 2014, one of CFR’s landlords agreed to defer rent payments for a six month period, with payments to resume July 1, 2014. 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, 2015 is \$149,312.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

Note J – Commitments and Contingencies (continued)

- 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, 2015, the outstanding balance was \$177,500. 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.

Note K – Unrestricted Net Asset Deficit

In calendar 2015, CFR saw a reduction in government revenue that was the result of reduced client service targets for its largest City contract. Those client targets have been largely restored by MOCJ as of April 2016, and management expects revenue from these contracts to increase by approximately \$580,500 for the fiscal year to end December 31, 2016. With the additional revenue CFR is anticipating a surplus in 2016 that will substantially eliminate the 2015 deficit in unrestricted net assets.