

CENTER FOR FAMILY REPRESENTATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

CENTER FOR FAMILY REPRESENTATION, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Center for Family Representation, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Family Representation, Inc. ("CFR"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 12 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

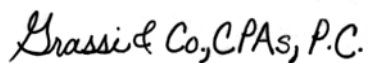
In our opinion, except for the effects of not recording rent expense over the life of the lease on the straight-line basis, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Family Representation, Inc. as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements

The financial statements as of and for the year ended December 31, 2017, were audited by Lederer, Levine & Associates, LLC, which merged with Grassi & Co. as of January 1, 2019, and whose report dated July 16, 2018, expressed a modified opinion on those financial statements.

Emphasis of Matter

During the year ended December 31, 2018, Center for Family Representation, Inc. has adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14. This ASU provided changes to the financial statement presentation that affected the classification of net assets and enhanced disclosures of board-designated funds, methods used to allocate costs among functions, and liquidity and availability of resources for the year ended December 31, 2018.


Grassi & Co., CPAs, P.C.
GRASSI & CO., CPAs, P.C.

White Plains, New York
July 11, 2019

CENTER FOR FAMILY REPRESENTATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4,873,283	\$ 1,198,726
Accounts receivable, net	4,715,618	1,443,911
Contributions receivable	153,005	173,091
Prepaid expenses and other assets	178,814	94,476
Property and equipment	259,237	281,329
Security deposits	174,100	178,700
	<u>174,100</u>	<u>178,700</u>
 TOTAL ASSETS	 <u>\$ 10,354,057</u>	 <u>\$ 3,370,233</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accrued expenses and other payables	\$ 525,089	\$ 436,923
Loan payable	2,303,368	-
Refundable advances	2,909,233	1,670,429
Deferred rent payable	-	96,614
	<u>-</u>	<u>96,614</u>
 TOTAL LIABILITIES	 <u>5,737,690</u>	 <u>2,203,966</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS:

Without donor restrictions	4,157,867	1,018,767
With donor restrictions	458,500	147,500
	<u>4,157,867</u>	<u>1,018,767</u>
 TOTAL NET ASSETS	 <u>4,616,367</u>	 <u>1,166,267</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 10,354,057</u>	 <u>\$ 3,370,233</u>

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, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions - foundations	\$ 240,876	\$ 458,500	\$ 699,376	\$ 316,535	\$ 103,959	\$ 420,494
Contributions - other	411,582	-	411,582	171,079	-	171,079
Special events (net of expenses of \$133,209 in 2018 and \$142,869 in 2017)	414,476	-	414,476	480,834	-	480,834
Government contracts	12,635,039	-	12,635,039	7,892,607	-	7,892,607
Training revenue	16,989	-	16,989	14,254	-	14,254
Interest	3,500	-	3,500	930	-	930
Net assets released from restrictions	147,500	(147,500)	-	299,317	(299,317)	-
TOTAL SUPPORT AND REVENUE	13,869,962	311,000	14,180,962	9,175,556	(195,358)	8,980,198
EXPENSES						
Program services	9,734,961	-	9,734,961	7,589,088	-	7,589,088
Management and general	614,685	-	614,685	760,387	-	760,387
Fundraising and development	381,216	-	381,216	170,955	-	170,955
TOTAL EXPENSES	10,730,862	-	10,730,862	8,520,430	-	8,520,430
CHANGE IN NET ASSETS	3,139,100	311,000	3,450,100	655,126	(195,358)	459,768
NET ASSETS, BEGINNING OF YEAR	1,018,767	147,500	1,166,267	363,641	342,858	706,499
NET ASSETS, END OF YEAR	\$ 4,157,867	\$ 458,500	\$ 4,616,367	\$ 1,018,767	\$ 147,500	\$ 1,166,267

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, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 6,352,215	\$ 392,701	\$ 227,411	\$ 6,972,327	\$ 5,002,798	\$ 480,650	\$ 62,616	\$ 5,546,064
Payroll taxes and benefits	1,413,730	87,398	50,612	1,551,740	936,842	90,008	11,726	1,038,576
Total salaries and related costs	7,765,945	480,099	278,023	8,524,067	5,939,640	570,658	74,342	6,584,640
Professional fees	269,828	64,785	40,007	374,620	210,638	77,378	66,113	354,129
Occupancy	846,167	38,096	29,814	914,077	815,082	78,310	10,202	903,594
Case related expenses	244,771	-	-	244,771	187,590	-	-	187,590
Office supplies and expenses	73,343	4,534	2,626	80,503	54,448	5,231	682	60,361
Equipment and maintenance	155,527	9,615	5,568	170,710	68,163	6,549	853	75,565
Telephone	144,375	8,925	5,169	158,469	110,182	10,586	1,378	122,146
Research services and publications	52,190	-	-	52,190	51,745	-	-	51,745
Travel and conferences	43,203	-	-	43,203	30,087	-	-	30,087
Insurance	32,539	2,012	1,165	35,716	28,787	2,766	360	31,913
Interest	-	-	-	-	83	8	1	92
Fundraising	-	-	15,015	15,015	-	-	15,862	15,862
Other expenses	51,279	3,170	1,832	56,281	51,502	4,948	647	57,097
Depreciation and amortization	55,794	3,449	1,997	61,240	41,141	3,953	515	45,609
TOTAL EXPENSES	<u>\$ 9,734,961</u>	<u>\$ 614,685</u>	<u>\$ 381,216</u>	<u>\$ 10,730,862</u>	<u>\$ 7,589,088</u>	<u>\$ 760,387</u>	<u>\$ 170,955</u>	<u>\$ 8,520,430</u>

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,450,100	\$ 459,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,240	45,609
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(3,271,707)	(560,518)
Contributions receivable	20,086	(59,413)
Prepaid expenses and other assets	(84,338)	11,366
Security deposits	4,600	-
Increase (decrease) in liabilities:		
Accrued expenses and other payables	88,166	118,561
Refundable advances	1,238,804	23,788
Deferred rent payable	<u>(96,614)</u>	<u>(26,349)</u>
Net Cash Provided by Operating Activities	<u>1,410,337</u>	<u>12,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	<u>(39,148)</u>	<u>(184,083)</u>
Net Cash Used in Investing Activities	<u>(39,148)</u>	<u>(184,083)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	2,303,368	-
Principal repayments of loan payable	<u>-</u>	<u>(250,000)</u>
Net Cash Provided by (Used in) Financing Activities	<u>2,303,368</u>	<u>(250,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,674,557	(421,271)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,198,726</u>	<u>1,619,997</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,873,283</u></u>	<u><u>\$ 1,198,726</u></u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u><u>\$ -</u></u>	<u><u>\$ 92</u></u>

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

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Nature of Activities

Center for Family Representation, Inc. (“CFR”) was founded in May 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. CFR receives its principal revenue from government contracts and contributions.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

CFR prepares its financial statements using the accrual basis of accounting. The Organization follows accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

Fair value is defined as 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. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 3 - Valuations based on unobservable inputs reflecting CFR's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2018, the fair value of CFR's financial instruments, including cash and cash equivalents, accounts receivable, contributions receivable, accrued expenses and other payables, and refundable advances, approximated book value due to the short maturity of these instruments.

At December 31, 2018, CFR does not have assets or liabilities required to be measured at fair value in accordance with Financial Accounting Standards Board ('FASB') Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*.

Allowance for Doubtful Accounts

CFR carries its receivables at cost less an allowance for doubtful accounts and loan loss allowance. CFR estimates the allowance based upon a review of outstanding receivables and historical collection information by customer. Normally, receivables are due within 30 days after the date of the invoice. Receivables more than one year old are considered past due. Receivables are written off when they are deemed to be uncollectible. CFR has determined that no allowance for doubtful accounts and loan loss allowance is necessary at December 31, 2018 and 2017. CFR does not accrue interest on past due receivables.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred, and cost of renewals and improvements are capitalized. CFR capitalizes property and equipment with a useful life of two years or more and a cost of \$5,000 or more.

Depreciation of fixed assets is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Furniture and fixtures	5 years
Equipment	3 years
Leasehold improvements	10 years

Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, the related net assets with donor restrictions are reclassified to net assets without donor restrictions. When applicable, long-term promises to give are discounted to their present value.

Revenue Recognition and Refundable Advances

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

Functional Reporting

The costs of providing CFR's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Case related expenses, research services and publications, and travel and conference expenses are directly charged to program expenses. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as percentage of employees in each office and department, and time and effort.

Reclassification

Certain items in the 2017 financial statements were reclassified to conform to the 2018 presentation. The reclassification had no impact on net assets.

Accounting for Uncertainty in Income Taxes

CFR applies the provisions pertaining to uncertain tax provisions, FASB ASC Topic 740, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements

ASU No. 2018-08

In June 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which will assist organizations in evaluating the transfer of assets and the nature of the related transaction. Organizations will be required to determine whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and if a contribution is conditional. The guidance in this ASU requires that organizations determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

For nonpublic entities who are recipients, the amendments of ASU No. 2018-08 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the IASB to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards (“IFRS”). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

This ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

CFR has not yet determined if these ASUs will have a material effect on its financial statements.

Note 3 - Concentrations

For the years ended December 31, 2018 and 2017, approximately 79% and 74%, respectively, of CFR's support and revenue was from one government funder. The funder is Mayor's Office of Criminal Justice ("MOCJ"), and the current contract with MOCJ expires on June 30, 2020.

CFR maintains its cash accounts in commercial banks, which cash balances at times, may exceed federally insured limits. CFR has not experienced any losses in such accounts, and management believes it is not subject to any significant risk on cash.

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 4 - Financial Assets and Liquidity Resources

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and purchases of property and equipment, were as follows:

Cash and cash equivalents	\$ 4,873,283
Accounts receivable, net	4,715,618
Contributions receivable	<u>153,005</u>
	9,741,906
 Net assets with donor restrictions	 <u>(458,500)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 9,283,406</u></u>

CFR typically receives advances on its largest government contract, and thereafter receives contract payments monthly, thereby providing a steady inflow of funds during the year. CFR's expenditures are not subject to significant seasonal fluctuations.

CFR manages its liquidity by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs. To achieve these targets, management forecasts its future cash flows and monitors its liquidity monthly. CFR maintains a line of credit (see Note 8), and also is permitted to obtain loans from The Fund for The City of New York in the event that there are delays in payments from certain of its government contracts (see Note 9).

Note 5 - Accounts Receivable

Accounts receivable consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mayor's Office of Criminal Justice ("MOCJ")	\$ 4,427,145	\$ 1,181,429
New York State Division of Criminal Justice Services ("DCJS")	28,218	28,218
New York State Office of Court Administration ("OCA")	182,518	187,119
Interest on Lawyer Account	21,875	21,875
Dormitory Authority of the State of New York ("DASNY")	55,062	25,270
Other	<u>800</u>	<u>-</u>
	<u><u>\$ 4,715,618</u></u>	<u><u>\$ 1,443,911</u></u>

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 6 - Contributions Receivable

Contributions receivable consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unconditional promises to be collected in:		
Less than one year	\$ 124,505	\$ 123,091
One to five years	<u>30,000</u>	<u>50,000</u>
	154,505	173,091
Discount to present value (with rate of 5%)	<u>(1,500)</u>	<u>-</u>
Total	<u>\$ 153,005</u>	<u>\$ 173,091</u>

Note 7 - Property and Equipment

Property and equipment, net consists of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 352,476	\$ 341,714
Furniture and fixtures	203,107	188,962
Equipment	<u>67,354</u>	<u>53,114</u>
	622,937	583,790
Less: Accumulated depreciation and amortization	<u>363,700</u>	<u>302,461</u>
	<u>\$ 259,237</u>	<u>\$ 281,329</u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$61,240 and \$45,609, respectively.

Note 8 - Line of Credit

CFR has established a bank line of credit with a current borrowing limit of \$450,000. As of December 31, 2018, there was no outstanding balance. 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, 2018 AND 2017

Note 9 - Loan Payable

In November and December 2018, CFR executed loan agreements totaling \$2,303,368 with The Fund for the City of New York. The loans are interest-free and were due in ninety days. CFR repaid the loan balance on January 4, 2019.

Note 10 - 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, 2018 and 2017 amounted to \$361,901 and \$111,417, respectively.

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 were subject to the following restrictions:

	<u>2018</u>	<u>2017</u>
Time Restricted	\$ 100,000	\$ -
Community Redevelopment Legal Services	-	50,000 *
Enhancing Family Advocacy Teams	-	37,500 *
Home for Good	328,500 *	30,000 *
Employee Self Care	<u>30,000</u>	<u>30,000</u>
	<u>\$ 458,500</u>	<u>\$ 147,500</u>

*These items are also time restricted.

Net assets released from restrictions consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Community Redevelopment Legal Services	\$ 50,000	\$ 54,167
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>-</u>	<u>18,750</u>
	<u>\$ 147,500</u>	<u>\$ 299,317</u>

CENTER FOR FAMILY REPRESENTATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 12 - Commitments

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 \$500,000 and \$547,000, as of December 31, 2018 and 2017, respectively, with a corresponding decrease in net assets. In addition, rent expense would be decreased by approximately \$47,000 and \$28,000, respectively, for the years ended December 31, 2018 and 2017.

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

Years Ending December 31:

2019	\$ 784,671
2020	790,310
2021	637,945
2022	326,400
2023	345,600
Thereafter	<u>1,356,000</u>
	<u>\$ 4,240,926</u>

Rent expense amounted to \$755,804 and \$734,286, respectively, for the years ended December 31, 2018 and 2017. 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 was paid off during 2018.

Note 13 - Contingencies

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.

Note 14 - Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through July 11, 2019, the date that the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.