

**Center for Alternative Sentencing
and Employment Services, Inc.
(CASES)**

**Financial Statements
and Independent Auditor's Report**

June 30, 2013 and 2012

**Center for Alternative Sentencing
and Employment Services, Inc.
(CASES)**

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Independent Auditor's Report

To the Board of Trustees
Center for Alternative Sentencing and
Employment Services, Inc.

We have audited the accompanying financial statements of Center for Alternative Sentencing and Employment Services, Inc. ("CASES") which comprise the statements of financial position as of June 30, 2013 and 2012, 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 CASES as of June 30, 2013 and 2012, 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.

CohnReznick LLP

New York, New York
December 3, 2013

**Center for Alternative Sentencing and Employment Services, Inc.
(CASES)**

**Statements of Financial Position
June 30, 2013 and 2012**

	2013	2012
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 74,712	\$ 108,786
Grants and contracts receivable, net of allowance of \$7,874 and \$10,387	2,368,716	1,711,435
Pledges receivable, current portion	335,774	546,233
Due from Medicaid, net of allowance of \$6,484	335,538	153,756
Other receivables	297,266	284,055
Prepaid expenses	157,907	109,604
Total current assets	3,569,913	2,913,869
Furniture, equipment and leasehold improvements, net	309,118	482,918
Pledges receivable, net of current portion	-	247,660
Security deposits	37,377	26,714
Totals	\$ 3,916,408	\$ 3,671,161
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 305,685	\$ 240,183
Accrued expenses and other liabilities	617,845	533,882
Grants and contract advances	48,128	1,545
Loans payable	473,095	282,799
Total current liabilities	1,444,753	1,058,409
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	652,288	578,877
Board-designated program funds	1,000,000	1,000,000
Temporarily restricted	819,367	1,033,875
Total net assets	2,471,655	2,612,752
Totals	\$ 3,916,408	\$ 3,671,161

See Notes to Financial Statements.

**Center for Alternative Sentencing and Employment Services, Inc.
(CASES)**

**Statement of Activities
Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Government grants and contracts	\$ 8,238,564		\$ 8,238,564
Medicaid income	1,393,325		1,393,325
Private contributions	137,294	\$ 816,477	953,771
Donated facilities	945,666		945,666
Miscellaneous income	62,333		62,333
Net assets released from restrictions	1,030,985	(1,030,985)	-
Total revenue and support	<u>11,808,167</u>	<u>(214,508)</u>	<u>11,593,659</u>
Expenses:			
Program services	9,900,976		9,900,976
Fundraising	141,489		141,489
General and administrative	1,692,291		1,692,291
Total expenses	<u>11,734,756</u>	<u>-</u>	<u>11,734,756</u>
Change in net assets	73,411	(214,508)	(141,097)
Net assets, beginning of year	<u>1,578,877</u>	<u>1,033,875</u>	<u>2,612,752</u>
Net assets, end of year	<u>\$ 1,652,288</u>	<u>\$ 819,367</u>	<u>\$ 2,471,655</u>

See Notes to Financial Statements.

**Center for Alternative Sentencing and Employment Services, Inc.
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**Statement of Activities
Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Government grants and contracts	\$ 7,178,467		\$ 7,178,467
Medicaid income	856,759		856,759
Private contributions	140,078	\$ 1,282,028	1,422,106
Donated facilities	844,229		844,229
Miscellaneous income	50,762		50,762
Net assets released from restrictions	879,305	(879,305)	
Total revenue and support	<u>9,949,600</u>	<u>402,723</u>	<u>10,352,323</u>
Expenses:			
Program services	8,332,517		8,332,517
Fundraising	84,149		84,149
General and administrative	1,531,222		1,531,222
Total expenses	<u>9,947,888</u>	<u>-</u>	<u>9,947,888</u>
Change in net assets	1,712	402,723	404,435
Net assets, beginning of year	<u>1,577,165</u>	<u>631,152</u>	<u>2,208,317</u>
Net assets, end of year	<u><u>\$ 1,578,877</u></u>	<u><u>\$ 1,033,875</u></u>	<u><u>\$ 2,612,752</u></u>

See Notes to Financial Statements.

Center for Alternative Sentencing and Employment Services, Inc.
(CASES)

Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services		Total	Fundraising	General and Administrative	Total
	Youth Programs	Adult Behavioral Health Programs				
Salaries and related expenses:						
Personnel services	\$2,867,288	\$2,457,451	\$5,324,739	\$ 93,864	\$ 888,320	\$ 6,306,923
Payroll taxes	215,475	181,534	397,009	7,069	61,592	465,670
Employee benefits	583,250	493,262	1,076,512	16,776	224,798	1,318,086
Totals	3,666,013	3,132,247	6,798,260	117,709	1,174,710	8,090,679
Other than personnel services:						
Consultants	442,580	33,563	476,143	4,302	37,404	517,849
Professional fees	-	90	90	0	56,800	56,890
Occupancy and renovation expenses	134,347	160,999	295,346	610	10,077	306,033
Equipment purchases and rental	73,489	41,732	115,221	1,905	33,347	150,473
Office expenses	11,030	5,802	16,832	236	57,749	74,817
Office supplies	60,462	57,466	117,928	2,751	16,485	137,164
Telephone	54,165	48,626	102,791	795	14,601	118,187
Staff training and conferences	9,004	17,230	26,234	53	7,112	33,399
Recruiting	-	-	-	-	13,158	13,158
Participant subsistence and stipends	344,770	87,726	432,496	-	-	432,496
Participant supplies	54,278	8,357	62,635	-	-	62,635
Participant travel	204,597	18,330	222,927	-	-	222,927
Participant other	117,809	10,879	128,688	-	-	128,688
Vehicle, fuel and maintenance	14,544	29,056	43,600	102	1,516	45,218
Interest and bank charges	-	-	-	-	40,361	40,361
Insurance	1,258	2,912	4,170	-	70,485	74,655
Total other than personnel services	1,522,333	522,768	2,045,101	10,754	359,095	2,414,950
Total before depreciation and amortization and donated facilities	5,188,346	3,655,015	8,843,361	128,463	1,533,805	10,505,629
Depreciation and amortization	194,770	66,594	261,364	1,678	20,419	283,461
Donated facilities	467,159	329,092	796,251	11,348	138,067	945,666
Totals	\$ 5,850,275	\$ 4,050,701	\$ 9,900,976	\$ 141,489	\$ 1,692,291	\$11,734,756

See Notes to Financial Statements.

Center for Alternative Sentencing and Employment Services, Inc.
(CASES)

Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services		Total	Fundraising	General and Administrative	Total
	Youth Programs	Adult Behavioral Health Programs				
Salaries and related expenses:						
Personnel services	\$2,564,185	\$1,944,885	\$4,509,070	\$ 53,644	\$ 822,370	\$ 5,385,084
Payroll taxes	193,013	146,033	339,046	4,201	56,654	399,901
Employee benefits	534,511	410,873	945,384	9,982	178,673	1,134,039
Totals	3,291,709	2,501,791	5,793,500	67,827	1,057,697	6,919,024
Other than personnel services:						
Consultants	400,174	48,733	448,907	187	36,294	485,388
Professional fees					54,650	54,650
Occupancy and renovation expenses	73,468	170,622	244,090	532	9,656	254,278
Equipment purchases and rental	54,694	57,637	112,331	1,497	26,097	139,925
Office expenses	10,698	3,021	13,719	1,478	50,863	66,060
Office supplies	49,716	59,037	108,753	2,948	15,529	127,230
Telephone	46,432	40,810	87,242	445	7,718	95,405
Staff training and conferences	8,150	16,851	25,001	410	8,203	33,614
Recruiting					7,285	7,285
Participant subsistence and stipends	158,168	73,839	232,007			232,007
Participant supplies	21,326	11,401	32,727			32,727
Participant travel	176,209	14,265	190,474			190,474
Participant other	68,998	12,958	81,956			81,956
Vehicle, fuel and maintenance	15,291	23,106	38,397	91	1,220	39,708
Interest and bank charges		1,049	1,049		25,355	26,404
Insurance	3,501	3,166	6,667		79,259	85,926
Total other than personnel services	1,086,825	536,495	1,623,320	7,588	322,129	1,953,037
Total before depreciation and amortization and donated facilities	4,378,534	3,038,286	7,416,820	75,415	1,379,826	8,872,061
Depreciation and amortization	137,948	72,818	210,766	1,136	19,696	231,598
Donated facilities	416,205	288,726	704,931	7,598	131,700	844,229
Totals	\$ 4,932,687	\$ 3,399,830	\$ 8,332,517	\$ 84,149	\$ 1,531,222	\$ 9,947,888

See Notes to Financial Statements.

**Center for Alternative Sentencing and Employment Services, Inc.
(CASES)**

**Statements of Cash Flows
Years Ended June 30, 2013 and 2012**

	2013	2012
Operating activities:		
Change in net assets	\$ (141,097)	\$ 404,435
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	283,461	231,598
Changes in operating assets and liabilities:		
Grants and contracts receivable	(657,281)	379,142
Pledges receivable	458,119	(421,752)
Due from Medicaid	(181,782)	(48,837)
Other receivables	(13,211)	(19,247)
Prepaid expenses	(48,303)	72,338
Security deposits	(10,663)	8,796
Accounts payable	65,502	60,041
Accrued expenses and other liabilities	83,963	(137,847)
Grants and contract advances	46,583	863
Net cash provided by (used in) operating activities	(114,709)	529,530
Investing activities:		
Acquisition of equipment	(109,661)	(146,359)
Net cash used in investing activities	(109,661)	(146,359)
Financing activities:		
Repayment of loans	(3,382,618)	(3,269,120)
Proceeds from borrowings on loans	3,572,914	2,799,900
Net cash provided by (used in) financing activities	190,296	(469,220)
Net decrease in cash and cash equivalents	(34,074)	(86,049)
Cash and cash equivalents, beginning of year	108,786	194,835
Cash and cash equivalents, end of year	\$ 74,712	\$ 108,786
Supplemental disclosure of cash flow data:		
Interest paid	\$ 25,682	\$ 13,144

See Notes to Financial Statements.

**Center for Alternative Sentencing
and Employment Services, Inc.
(CASES)**

**Notes to Financial Statements
June 30, 2013 and 2012**

Note 1 - Organization

Center for Alternative Sentencing and Employment Services, Inc. ("CASES") is a not-for-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from Federal income taxation under Section 501(a) of the Code.

CASES' mission is to increase the understanding and use of community sanctions that are fair, affordable and consistent with public safety. CASES operates one of New York City's oldest alternative-to-incarceration programs, the Court Employment Project, a program for youth involved in the criminal justice system. In addition, CASES provides services to juveniles pending Family Court adjudication and a GED-Learning-to-work program. CASES also operates programs for offenders with mental illness, including a NYS licensed Assertive Community Treatment ("ACT") team, as well as programs for adult misdemeanants and parole violators. With its long history and extensive experience running alternative-to-incarceration programs, CASES provides operational support, including training and technical assistance, to other groups working with clients involved in the criminal justice system. CASES receives most of its support from New York City, New York State and Federal government sources. Grants receivable are due principally from these sources.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CASES and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations. Board designated program funds are unrestricted net assets in which the Board of Trustees has designated certain funds for limited purposes. These funds are not available for current operations without the prior approval of the Board of Trustees.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CASES and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by CASES. Generally, the donors of these assets permit CASES to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at June 30, 2013 and 2012.

**Center for Alternative Sentencing
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**Notes to Financial Statements
June 30, 2013 and 2012**

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risks

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less when acquired. CASES places its temporary cash investments with high-credit quality financial institutions. At times such amounts may exceed Federally insured limits. Concentrations of credit risk with regard to grants and contracts and pledges receivable are limited due to the nature of the grants and pledges, which are received from government agencies and contributors, respectively. CASES performs ongoing credit evaluations and establishes an allowance for doubtful accounts based upon factors surrounding the credit risks, historical trends and other information.

Pledges receivable

Contributions are recognized when the donor makes a pledge to CASES that is, in substance, unconditional. Pledges receivable due in one year are recorded at their net realizable value. Pledges receivable due in more than one year are recorded at the present value of their net realizable value, using a risk-adjusted discount rate to discount the amounts applicable to the years in which the contributions are to be received.

Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are recorded as assets if they have a useful life of more than one year and a cost greater than or equal to \$5,000. Furniture and equipment are carried at cost less accumulated depreciation. Depreciation is provided under the straight-line method based on the estimated useful lives of the assets.

Leasehold improvements are carried at cost less accumulated amortization. Leasehold improvements are amortized over the shorter of their useful life or lease term.

Internal use computer software

CASES capitalizes certain costs associated with the development of internal use computer software. Costs that are capitalized consist of external direct costs of materials and services consumed in developing or obtaining the internal use software of the project. Amortization commences when development is complete and the assets are placed in service.

Recognition of revenue

Program service contracts

Cost recovery grants

The terms under which these grants are awarded provide for reimbursements of budgeted expenditures within the grant period. These funds are received in either

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**Notes to Financial Statements
June 30, 2013 and 2012**

predetermined installments or increments based upon expenses incurred. Accordingly, grant income is recognized in amounts equal to expenditures incurred.

Any excess or deficiency of cash receipts over expenditures incurred is reported as "Grants and contract advances" or "Grants and contracts receivable". Upon termination of operations under each grant, the unexpended funds received under the terms of the grant revert to the grantor.

Performance-based grants

The terms under which these grants are awarded provide for payment based on unit costs for agreed upon milestones achieved within the award period up to the maximum amount allowable under a given milestone, if any, and/or the total grant amount. Accordingly, income is recognized in amounts equal to the amount earned based on performance. Any excess of cash receipts over expenditures incurred remains with the grantee.

Medicaid income

Medicaid income is reported at the estimated net realizable amounts based on the number of visits in accordance with program provisions.

Donated services

No amounts are reflected in the financial statements for donated services. CASES pays for most of its services which require specific expertise. However, individual Board members volunteer their time and perform a variety of tasks that include contribution solicitations and serving on various Board committees.

Donated space is reflected as contributions and reported as expenses in the accompanying statements at estimated fair values (see Note 8).

Contributions

Contributions are recognized as revenue in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

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**Notes to Financial Statements
June 30, 2013 and 2012**

Income taxes

CASES has no unrecognized tax benefits as of June 30, 2013 and 2012. CASES' Federal and state income tax returns prior to fiscal year 2010 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, CASES will recognize interest and penalties associated with tax matters as general and administrative expenses and include accrued interest and penalties with the related tax liability in the statements of financial position. There were no interest or penalties for the year ended June 30, 2013.

Functional expenses

Because CASES is a multi-program/multi-funded organization, certain costs have been allocated between functional and supporting programs, as determined by management, pursuant to the method CASES follows in seeking funds from third party government sources.

Subsequent events

CASES has evaluated subsequent events through December 3, 2013, which is the date the financial statements were available to be issued.

Note 3 - Pledges receivable

Pledges receivable consist of the following:

	2013	2012
Receivables in less than one year	\$335,774	\$546,233
Receivables in one to five years	-	250,137
Total pledges receivable	335,774	796,370
Less discount to net present value	-	2,477
Net pledges receivable	\$335,774	\$793,893
Current pledges receivable, net	\$335,774	\$546,233
Noncurrent pledges receivable, net	-	247,660
	\$335,774	\$793,893

Pledges receivable due in one to five years are discounted at 1.00% for 2012. CASES believes that all pledges receivable are fully collectible, thus no allowance for uncollectible pledges has been provided at June 30, 2013 and 2012.

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**Notes to Financial Statements
June 30, 2013 and 2012**

Note 4 - Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements consist of the following:

	Estimated Useful Life	2013	2012
Furniture and equipment	3-7 years	\$ 484,839	\$ 375,176
Vehicles	5 years	45,633	66,719
Leasehold improvements	5 years	641,516	641,516
Software database	3 years	305,884	327,405
		<u>1,477,872</u>	<u>1,410,816</u>
Less accumulated depreciation and amortization		<u>1,168,754</u>	<u>927,898</u>
Totals		<u>\$ 309,118</u>	<u>\$ 482,918</u>

Note 5 - Loans payable

Loans payable of \$473,095 and \$282,799 as of June 30, 2013 and 2012, respectively, consist of borrowings under a \$2,200,000 line of credit, which is secured by grants and contracts receivable, bears interest at the CB Floating Rate plus .75% (the Prime Rate; provided that the CB Floating Rate shall on any day not be less than Adjusted One-Month LIBOR Rate (4.00% at June 30, 2013)) and expires on February 1, 2014.

Interest expense for the years ended June 30, 2013 and 2012 was \$25,682 and \$13,144, respectively.

Note 6 - Temporarily restricted net assets

At June 30, 2013 and 2012, temporarily restricted net assets are available for use in future periods for the following purposes as restricted by the donors:

	2013	2012
Program restrictions:		
Youth programs	\$314,216	\$ 588,256
Adult Behavioral Health programs	<u>493,151</u>	<u>445,619</u>
Total program restrictions	807,367	1,033,875
Time restrictions	<u>12,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$819,367</u>	<u>\$1,033,875</u>

Net assets released from donor restrictions for the years ended June 30, 2013 and 2012 were released by incurring expenses satisfying the program restrictions and the expiration of any time restriction specified by the donors.

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**Notes to Financial Statements
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Note 7 - Pension plans

CASES maintains a defined contribution group pension plan and a 403(b) plan. Company contributions to the plans are based on the employees' voluntary contributions to the 403(b) plan. Contributions to the plans amounted to \$198,645 and \$186,021 for the years ended June 30, 2013 and 2012, respectively.

Note 8 - Donated space

CASES receives a contribution of office facilities from the City of New York. The estimated fair market value of donated space included as revenue and expense was \$945,666 and \$844,229 in 2013 and 2012, respectively.

Note 9 - Contingencies

In most instances, grants are subject to audit by state, city and Federal auditors and costs charged grantors may be adjusted. In the opinion of management, a provision of \$7,874 and \$10,387 in 2013 and 2012 was established for cost adjustments and included in grants and contracts receivable.

Note 10 - Lease commitments

CASES has various operating lease agreements for office and program facilities including storage facilities expiring through September 30, 2017. Some of the leases are subject to real estate tax escalations. Related rent expense for the years ended June 30, 2013 and 2012 was \$242,868 and \$196,237, respectively.

In September 2013, CASES entered into a lease for additional program facilities. The lease expires in September 2028.

In addition, CASES is obligated under various operating leases for office and program equipment expiring through February 12, 2017. Related rent expense for the years ended June 30, 2013 and 2012 was \$94,061 and \$76,933, respectively.

Minimum annual future rental payments under the leases in each of the five years subsequent to June 30, 2013 and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 573,817
2015	546,597
2016	483,267
2017	482,892
2018	440,078
Thereafter	<u>5,362,123</u>
Total	<u>\$7,888,774</u>