

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

**Report on Financial Statements**

**Years Ended June 30, 2010 and 2009**

**CENTER FOR ALTERNATIVE SENTENCING  
AND EMPLOYMENT SERVICES, INC.  
(CASES)**

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## **Report of Independent Public Accountants**

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

We have audited the accompanying statements of financial position of Center for Alternative Sentencing and Employment Services, Inc. (CASES) as of June 30, 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 CASES' 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 audit 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 CASES as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

 J.H. Cohn LLP

New York, New York  
December 6, 2010

**CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009**

<b><u>ASSETS</u></b>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 338,013	\$ 866,227
Grants and contracts receivable, net of allowance of \$10,387 and \$10,387	1,944,885	1,339,447
Pledges receivable	275,687	119,950
Due from medicaid, net of allowance of \$25,811 and \$0	119,525	295,917
Other receivables	16,333	21,164
Prepaid expenses	99,280	101,770
Total current assets	<b>2,793,723</b>	<b>2,744,475</b>
Furniture, equipment and leasehold improvements, net	489,799	617,227
Security deposits	24,299	16,844
Totals	<b>\$ 3,307,821</b>	<b>\$ 3,378,546</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 180,856	\$ 152,817
Accrued expenses and other liabilities	471,200	479,053
Grants and contract advances	47,243	103,627
Loans payable, current portion	264,142	112,130
Total current liabilities	<b>963,441</b>	<b>847,627</b>
Loans payable, net of current portion		214,917
Total liabilities	<b>963,441</b>	<b>1,062,544</b>
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	1,092,827	912,892
Board-designated program funds	855,000	855,000
Temporarily restricted	396,553	548,110
Total net assets	<b>2,344,380</b>	<b>2,316,002</b>
Totals	<b>\$ 3,307,821</b>	<b>\$ 3,378,546</b>

See Notes to Financial Statements.

**CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Government grants and contracts	\$ 7,255,189		\$ 7,255,189
Medicaid income	828,615		828,615
Private contributions	141,728	\$ 665,829	807,557
Donated facilities	829,525		829,525
Miscellaneous income	38,816	1,413	40,229
Net assets released from restrictions	818,799	(818,799)	-
Total revenue and support	<u>9,912,672</u>	<u>(151,557)</u>	<u>9,761,115</u>
Expenses:			
Program services	8,161,328		8,161,328
Fundraising	75,319		75,319
General and administrative	1,496,090		1,496,090
Total expenses	<u>9,732,737</u>	<u>-</u>	<u>9,732,737</u>
Change in net assets	179,935	(151,557)	28,378
Net assets, beginning of year	<u>1,767,892</u>	<u>548,110</u>	<u>2,316,002</u>
Net assets, end of year	<u><u>\$ 1,947,827</u></u>	<u><u>\$ 396,553</u></u>	<u><u>\$ 2,344,380</u></u>

See Notes to Financial Statements.

**CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Government grants and contracts	\$ 7,828,754		\$ 7,828,754
Medicaid income	709,804		709,804
Private contributions	148,197	\$ 592,197	740,394
Donated facilities	794,267		794,267
Miscellaneous income	37,235		37,235
Net assets released from restrictions	1,144,401	(1,144,401)	-
Total revenue and support	10,662,658	(552,204)	10,110,454
Expenses:			
Program services	8,690,393		8,690,393
Fundraising	91,214		91,214
General and administrative	1,707,992	-	1,707,992
Total expenses	10,489,599	-	10,489,599
Change in net assets	173,059	(552,204)	(379,145)
Net assets, beginning of year	1,594,833	1,100,314	2,695,147
Net assets, end of year	\$ 1,767,892	\$ 548,110	\$ 2,316,002

See Notes to Financial Statements.

**CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2010**

	<b>Program Services</b>			<b>Total</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
	<b>Youth Programs</b>	<b>Criminal Court Programs</b>	<b>Mental Health and Other Programs</b>				
Salaries and related expenses:							
Personnel services	\$2,828,031	\$772,495	\$1,219,785	\$4,820,311	\$47,969	\$818,863	\$5,687,143
Payroll taxes	212,097	58,450	92,300	362,847	3,791	57,113	423,751
Employee benefits	532,760	144,495	218,417	895,672	8,738	166,306	1,070,716
Totals	<u>3,572,888</u>	<u>975,440</u>	<u>1,530,502</u>	<u>6,078,830</u>	<u>60,498</u>	<u>1,042,282</u>	<u>7,181,610</u>
Other than personnel services:							
Consultants	43,556	64	20,859	64,479		50,952	115,431
Professional fees		250		250		73,350	73,600
Occupancy and renovation expenses	98,455	4,256	120,728	223,439	531	11,984	235,954
Equipment purchases and rental	45,505	11,851	36,120	93,476	801	17,368	111,645
Office expenses	16,502	37,829	11,544	65,875	3,656	36,985	106,516
Office supplies	39,336	11,283	51,216	101,835	1,829	15,541	119,205
Telephone	51,403	12,785	32,771	96,959	564	14,258	111,781
Staff training and conferences	22,705	1,541	21,248	45,494	239	3,265	48,998
Recruiting						3,008	3,008
Participant subsistence and stipends	202,422	3,892	44,250	250,564			250,564
Participant supplies	9,280	4,577	2,309	16,166			16,166
Participant travel	141,262	10,641	10,238	162,141			162,141
Participant other	59,292	818	1,878	61,988			61,988
Vehicle, fuel and maintenance	14,531	4,053	16,329	34,913	71	1,225	36,209
Interest and bank charges			14,684	14,684		9,165	23,849
Insurance	748		5,337	6,085		78,565	84,650
Total other than personnel services	<u>744,997</u>	<u>103,840</u>	<u>389,511</u>	<u>1,238,348</u>	<u>7,691</u>	<u>315,666</u>	<u>1,561,705</u>
Total before depreciation and amortization and donated facilities	4,317,885	1,079,280	1,920,013	7,317,178	68,189	1,357,948	8,743,315
Depreciation and amortization	34,331	7,591	107,915	149,837	494	9,566	159,897
Donated facilities	409,785	102,032	182,496	694,313	6,636	128,576	829,525
Totals	<u>\$4,762,001</u>	<u>\$1,188,903</u>	<u>\$2,210,424</u>	<u>\$8,161,328</u>	<u>\$75,319</u>	<u>\$1,496,090</u>	<u>\$9,732,737</u>

See Notes to Financial Statements.

**CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2009**

	<u>Program Services</u>			<u>Total</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
	<u>Youth Programs</u>	<u>Criminal Court Programs</u>	<u>Mental Health and Other Progams</u>				
Salaries and related expenses:							
Personnel services	\$ 3,014,028	\$ 932,967	\$ 1,091,618	\$ 5,038,613	\$ 58,313	\$ 896,075	\$ 5,993,001
Payroll taxes	223,408	68,874	80,564	372,846	4,227	61,335	438,408
Employee benefits	593,687	193,457	210,414	997,558	10,037	186,055	1,193,650
Totals	<u>3,831,123</u>	<u>1,195,298</u>	<u>1,382,596</u>	<u>6,409,017</u>	<u>72,577</u>	<u>1,143,465</u>	<u>7,625,059</u>
Other than personnel services:							
Consultants	167,113	4,861	57,228	229,202	1,014	29,365	259,581
Professional fees		600		600		62,500	63,100
Occupancy and renovation expenses	99,691	5,715	110,702	216,108	4,056	12,449	232,613
Equipment purchases and rental	83,921	10,431	49,590	143,942	1,551	45,367	190,860
Office expenses	8,109	2,154	1,466	11,729	888	53,614	66,231
Office supplies	50,473	12,051	49,110	111,634	2,579	43,380	157,593
Telephone	52,347	21,113	15,025	88,485	620	14,690	103,795
Staff training and conferences	13,962	1,011	7,221	22,194	168	3,293	25,655
Recruiting						16,197	16,197
Participant subsistence and stipends	191,137	6,228	80,447	277,812			277,812
Participant supplies	22,556	4,160	1,904	28,620			28,620
Participant travel	141,371	11,714	6,947	160,032			160,032
Participant other	79,967	800	41,162	121,929			121,929
Vehicle, fuel and maintenance	13,945	3,792	14,500	32,237	77	1,000	33,314
Interest and bank charges			25,710	25,710		58,623	84,333
Insurance			5,644	5,644		84,019	89,663
Total other than personnel services	<u>924,592</u>	<u>84,630</u>	<u>466,656</u>	<u>1,475,878</u>	<u>10,953</u>	<u>424,497</u>	<u>1,911,328</u>
Total before depreciation and amortization and donated facilities	4,755,715	1,279,928	1,849,252	7,884,895	83,530	1,567,962	9,536,387
Depreciation and amortization	34,571	7,983	106,085	148,639	536	9,770	158,945
Donated facilities	396,339	106,432	154,088	656,859	7,148	130,260	794,267
Totals	<u>\$ 5,186,625</u>	<u>\$ 1,394,343</u>	<u>\$ 2,109,425</u>	<u>\$ 8,690,393</u>	<u>\$ 91,214</u>	<u>\$ 1,707,992</u>	<u>\$ 10,489,599</u>

See Notes to Financial Statements.



**CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Operating activities:		
Changes in net assets	\$ 28,378	\$ (379,145)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	159,897	158,945
Changes in operating assets and liabilities:		
Grants and contracts receivable	(605,438)	2,537,124
Pledges receivable	(155,737)	699,248
Due from medicaid	176,392	(168,289)
Other receivables	4,831	(15,047)
Prepaid expenses	2,490	(15,670)
Security deposits	(7,455)	17,291
Accounts payable	28,039	(91,637)
Accrued expenses and other liabilities	(7,853)	81,656
Grants and contract advances	(56,384)	50,257
Net cash provided by (used in) operating activities	(432,840)	2,874,733
Investing activities:		
Acquisition of equipment	(32,469)	(126,152)
Net cash used in investing activities	(32,469)	(126,152)
Financing activities:		
Repayment of loans	(299,905)	(5,585,118)
Proceeds from borrowings on loans	237,000	3,284,000
Net cash used in financing activities	(62,905)	(2,301,118)
Net increase (decrease) in cash and cash equivalents	(528,214)	447,463
Cash and cash equivalents, beginning of year	866,227	418,764
Cash and cash equivalents, end of year	\$ 338,013	\$ 866,227
Supplemental disclosure of cash flow data:		
Interest paid	\$ 14,783	\$ 76,405

See Notes to Financial Statements.

**CENTER FOR ALTERNATIVE SENTENCING  
AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**NOTES TO FINANCIAL STATEMENTS**

**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 runs a transitional program for young people leaving detention or placement 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 financial statements of CASES are prepared on the accrual basis of accounting. CASES reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**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 includes 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 receivable are limited due to the nature of the grants which are received from government agencies. CASES performs ongoing credit evaluations and establishes an allowance for doubtful accounts based upon factors surrounding the credit risks, historical trends and other information.

**CENTER FOR ALTERNATIVE SENTENCING  
AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Summary of significant accounting policies (continued):**

**Pledges receivable:**

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

**Land, equipment and leasehold improvements:**

Land, 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. Equipment is 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 useful life or lease term.

**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 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.

**CENTER FOR ALTERNATIVE SENTENCING  
AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Summary of significant accounting policies (continued):**

**Recognition of revenue (concluded):**

**Program service contracts (concluded):**

**Other:**

Revenues are recognized based upon services rendered in accordance with grant 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.

**Income taxes:**

CASES adopted the new accounting for uncertainty in income taxes guidance on July 1, 2009. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and CASES has no unrecognized tax benefits as of June 30, 2010. CASES's U.S. Federal and state income tax returns prior to fiscal year 2006 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 part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

**CENTER FOR ALTERNATIVE SENTENCING  
AND EMPLOYMENT SERVICES, INC.  
(CASES)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Summary of significant accounting policies (concluded):**

**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 6, 2010, which is the date the financial statements were available to be issued.

**Note 3 - Pledges receivable:**

Pledges receivable, which amounted to \$275,687 and \$119,950 at June 30, 2010 and 2009, respectively, are all due within one year. CASES believes that all pledges receivable are fully collectible, thus no allowance for uncollectible pledges has been provided at June 30, 2010 and 2009.

**Note 4 - Furniture, equipment and leasehold improvements:**

Furniture, equipment and leasehold improvements consist of the following:

	Estimated Useful Life	2010	2009
Furniture and equipment	3-7 years	\$ 295,337	\$ 295,337
Vehicles	5 years	66,719	66,719
Leasehold improvements	5 years	641,516	630,567
Database development		21,520	
		<u>1,025,092</u>	<u>992,623</u>
Less accumulated depreciation and amortization		<u>535,293</u>	<u>375,396</u>
Totals		<u>\$ 489,799</u>	<u>\$ 617,227</u>

**CENTER FOR ALTERNATIVE SENTENCING  
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**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Loans payable:**

Loans payable consist of the following:

	2010	2009
Bank line of credit (A)	<b>\$144,000</b>	
Nonprofit Finance Fund renovation loan (B)	<b>120,142</b>	\$327,047
Totals	<b>264,142</b>	327,047
Less current portion	<b>264,142</b>	112,130
Long-term portion	<b>\$ -</b>	<b>\$214,917</b>

(A) Consists of borrowings under a \$2,200,000 line of credit, which is secured by grants receivable, bears interest at the prime rate plus .5% (4.75% at June 30, 2010) and expires on February 1, 2011.

(B) Pursuant to a loan agreement with Nonprofit Finance Fund, CASES was provided with a loan under which it could borrow up to \$427,000 for renovating the 3rd floor of its donated space at 346 Broadway. The loan is secured with certain assets and bears interest at 7%. The loan is repayable in equal monthly installments beginning no later than August 1, 2008, over a 48 month period. As of June 30, 2010, CASES had borrowed \$427,000 of the loan and repaid \$306,858. CASES expects to pay off the remaining balance by June 30, 2011.

Interest expense for the years ended June 30, 2010 and 2009 was \$14,783 and \$76,405, respectively.

**Note 6 - Temporarily restricted net assets:**

At June 30, 2010 and 2009, temporarily restricted net assets are available for use in future periods for the following purposes as restricted by the donor:

	2010	2009
Time restrictions	<b>\$ -</b>	\$ 250
Program restrictions:		
Youth programs	<b>285,589</b>	178,296
Mental health programs	<b>110,964</b>	354,862
Administration		14,702
Total program restrictions	<b>396,553</b>	547,860
Total temporarily restricted net assets	<b>\$396,553</b>	<b>\$548,110</b>

Net assets released from donor restrictions for the years ended June 30, 2010 and 2009 were released by incurring expenses satisfying the program restrictions and the expiration of any time restriction specified by the donors.

**CENTER FOR ALTERNATIVE SENTENCING  
AND EMPLOYMENT SERVICES, INC.  
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**NOTES TO FINANCIAL STATEMENTS**

**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 \$196,425 and \$185,651 for the years ended June 30, 2010 and 2009, 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 \$829,525 and \$794,267 in 2010 and 2009, 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 \$10,387 in 2010 and 2009, 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 expiring in September 30, 2014. Some of the leases are subject to real estate tax escalations. Related rent expense for the years ended June 30, 2010 and 2009 was \$183,262 and \$190,803, respectively.

In addition, at June 30, 2010, CASES is obligated under various operating leases for office and program equipment expiring through August 31, 2014. Related rent expense for the years ended June 30, 2010 and 2009 was \$54,360 and \$101,769, respectively.

Minimum annual future rental payments under the leases in each of the five years subsequent to June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$239,052
2012	118,617
2013	116,204
2014	41,603
2015	<u>500</u>
Total	<u>\$515,976</u>