FINANCIAL STATEMENTS

fair chance

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

FAIR CHANCE

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fair Chance
Washington, D.C.

We have audited the accompanying financial statements of Fair Chance, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets 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 audits 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 Fair Chance as of December 31, 2016 and 2015, 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.

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Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gelman Rosenberg & Freedman

August 17, 2017

FAIR CHANCE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 562,291	$ 469,679
Grants and contributions receivable	202,423	225,732
Prepaid expenses	19,502	10,718
Total current assets	784,216	706,129
FIXED ASSETS		
Furniture, fixtures and equipment	48,209	48,209
Leasehold improvements	3,895	3,895
	52,104	52,104
Less: Accumulated depreciation and amortization	(39,665)	(31,879)
Net fixed assets	12,439	20,225
OTHER ASSETS		
Grants and contributions receivable, net of current portion	75,000	100,000
Deposits	15,890	15,890
Total other assets	90,890	115,890
TOTAL ASSETS	**$ 887,545**	**$ 842,244**

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 29,087	$ 104,922
Deferred rent	1,211	12,799
Total current liabilities	30,298	117,721
NET ASSETS		
Unrestricted:		
Undesignated	307,247	23,273
Board designated reserve	400,000	400,000
Total unrestricted net assets	707,247	423,273
Temporarily restricted	150,000	301,250
Total net assets	857,247	724,523
TOTAL LIABILITIES AND NET ASSETS	**$ 887,545**	**$ 842,244**

See accompanying notes to financial statements.

FAIR CHANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		
	Unrestricted	**Temporarily Restricted**	**Total**
SUPPORT AND REVENUE			
Foundation grants	$ 763,818	$ -	$ 763,818
Individual contributions	49,821	-	49,821
Corporate contributions	77,500	-	77,500
Fair Chance Fund	249,638	-	249,638
Government funding	-	-	-
Net assets released from donor restrictions	156,250	(156,250)	-
Total contributions	1,297,027	(156,250)	1,140,777
Special events revenue	448,775	-	448,775
Special events, in-kind contribution revenue	-	-	-
Special events expenses	(70,334)	-	(70,334)
Special events, in-kind contribution expense	-	-	-
Special events revenue net	378,441	-	378,441
In-kind contributions	62,180	-	62,180
Interest (loss) income	(4,359)	-	(4,359)
Total support and revenue	1,733,289	(156,250)	1,577,039
EXPENSES			
Program Services	1,093,328	-	1,093,328
Management and General	175,531	-	175,531
Fundraising	175,456	-	175,456
Total expenses	1,444,315	-	1,444,315
Changes in net assets	288,974	(156,250)	132,724
Net assets at beginning of year	423,273	301,250	724,523
Reclassification of net assets	(5,000)	5,000	-
NET ASSETS AT END OF YEAR	**$ 707,247**	**$ 150,000**	**$ 857,247**

2015		
Unrestricted	**Temporarily Restricted**	**Total**
$ 440,870	$ 50,417	$ 491,287
219,480	195,000	414,480
-	-	-
-	-	-
4,167	5,833	10,000
235,739	(235,739)	-
900,256	15,511	915,767
498,655	-	498,655
70,009	-	70,009
(145,063)	-	(145,063)
(70,009)	-	(70,009)
353,592	-	353,592
33,400	-	33,400
8,884	-	8,884
1,296,132	15,511	1,311,643
878,934	-	878,934
238,975	-	238,975
285,912	-	285,912
1,403,821	-	1,403,821
(107,689)	15,511	(92,178)
530,962	285,739	816,701
-	-	-
$ 423,273	**$ 301,250**	**$ 724,523**

FAIR CHANCE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 132,724	$ (92,178)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	7,786	7,424
Donated securities	(24,638)	(13,490)
Deferred rent	(11,588)	(4,239)
(Increase) decrease in:		
Grants and contributions receivable	48,309	(115,028)
Prepaid expenses	(8,784)	2,187
Increase in:		
Accounts payable and accrued liabilities	(75,835)	42,391
Net cash provided (used) by operating activities	67,974	(172,933)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(1,855)
Proceeds from sale of donated securities	24,638	13,490
Net cash provided by investing activities	24,638	11,635
Net increase (decrease) in cash and cash equivalents	92,612	(161,298)
Cash and cash equivalents at beginning of year	469,679	630,977
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 562,291**	**$ 469,679**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Fair Chance is a non-profit organization, incorporated on May 20, 2003, under the laws of the District of Columbia. The primary purpose of Fair Chance is to provide support and services to community-based non-profit organizations serving children living in the District of Columbia.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

Fair Chance considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of $250,000. At times during the year, Fair Chance maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants and contributions receivable -

Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Grants and contributions receivable expected to be collected in the current year are recorded at their net realizable value, which approximates fair value. All pledges receivable are considered by management to be fully collectible.

Fixed assets -

Fixed assets with an acquisition value of $1,000 or more are capitalized and stated at cost in the accompanying financial statements. Furniture, fixtures and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. Maintenance and repairs and fixed assets with an acquisition value of less than $1,000 are recorded as expenses are incurred.

Income taxes -

Fair Chance is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying Statements of Activities and Changes in Net Assets in the financial statements. Fair Chance is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, Fair Chance has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

In-kind contributions -

In-kind contributions are reflected in the financial statements at their market value on the date the contribution is made. In-kind contributions are comprised of professional services and catering fees for special events. Professional services and catering fees are reflected in the accompanying financial statements as in-kind contribution revenue and the related expenses. The value of these contributions for the years ended December 31, 2016 and 2015 totaled $62,180 and $103,409, respectively.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Fair Chance and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Fair Chance 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 and Changes in Net Assets as net assets released from restrictions.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with donor-imposed restrictions and the satisfaction of time restrictions.

Grants and contributions grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying Statements of Activities and Changes in Net Assets.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets.

The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of Fair Chance's financial statements, it is not expected to alter Fair Chance's reported financial position activities.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	2016	2015
Time Restricted	$ 150,000	$ 301,250

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2016 and 2015, through the passage of time, which satisfied the restricted purposes specified by the donors:

	2016	2015
Passage of Time	$ 156,250	$ 235,739

4. BOARD DESIGNATED RESERVES

Included in unrestricted net assets at December 31, 2016 and 2015, are Board designated reserves in the amounts of $400,000 and $400,000, respectively. The reserves are designated for the purpose of covering six months of operating expenses in case of an unforeseen hardship.

5. LEASE COMMITMENT

During December 2011, Fair Chance entered into a sixty-two month operating lease agreement for its existing office space, which will expire in January 2017. Fair Chance extended the lease in January 2017 for sixty months, through January 31, 2021.

5. LEASE COMMITMENT (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statements of Financial Position. As of December 31, 2016 and 2015, the deferred rent liability was $1,211 and $12,799, respectively.

Occupancy expense (including utilities) for the years ended December 31, 2016 and 2015 totaled $117,925 and $109,519, respectively.

The minimum future lease obligations are as follows:

Year Ending December 31,	
2017	$ 113,460
2018	116,855
2019	120,360
2020	123,971
2021	10,356
	$ 485,002

6. PENSION PLAN

During 2008, Fair Chance established a 403(b) pension plan through Lincoln Financial Group. Fair Chance matches dollar-for-dollar employee contributions, up to a maximum of 3% of the employee's salary. Employees are eligible to receive the matching contribution after six months of full-time employment.

During the years ended December 31, 2016 and 2015, Fair Chance contributed $5,737 and $15,165, respectively, to the plan.

7. SUBSEQUENT EVENTS

In preparing these financial statements, Fair Chance has evaluated events and transactions for potential recognition or disclosure through August 17, 2017, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

FAIR CHANCE

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016				2015
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	$ 463,449	$ 137,122	$ 121,412	$ 721,983	$ 759,550
Payroll taxes	42,171	6,028	4,034	52,233	61,247
Benefits	68,554	9,800	6,556	84,910	78,379
Occupancy	104,625	3,322	9,977	117,924	109,519
Partner organization support	17,760	-	-	17,760	12,867
Professional fees/consultants	267,016	1,400	21,413	289,829	199,306
Accounting and audit fees	24,490	3,501	2,343	30,334	22,212
Supplies and equipment	4,151	1,907	356	6,414	9,739
Staff development	270	-	-	270	6,839
Depreciation and amortization	6,286	899	601	7,786	7,424
Communications and IT	22,875	2,907	1,945	27,727	77,067
Travel	1,979	100	550	2,629	6,548
Printing and postage	1,302	25	2,789	4,116	9,606
Insurance	-	3,952	-	3,952	3,760
Meetings and events	3,590	1,797	565	5,952	1,156
Membership dues	1,790	1,222	1,878	4,890	3,234
Bank/corporate fees	2,766	395	265	3,426	1,968
In-kind expenses	60,254	1,154	772	62,180	33,400
TOTAL	**$ 1,093,328**	**$ 175,531**	**$ 175,456**	**$ 1,444,315**	**$ 1,403,821**