FINANCIAL STATEMENTS

fair chance

FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

FAIR CHANCE

CONTENTS

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, 2014 and 2013, 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, 2014 and 2013, 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Other Matter

Our audit was 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

July 22, 2015

FAIR CHANCE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 630,977	$ 815,709
Pledges and contributions receivable	210,704	68,213
Prepaid expenses	12,905	13,453
Total current assets	854,586	897,375
FIXED ASSETS		
Furniture, fixtures and equipment	46,354	28,045
Leasehold improvements	3,895	3,895
	50,249	31,940
Less: Accumulated depreciation and amortization	(24,455)	(21,458)
Net fixed assets	25,794	10,482
OTHER ASSETS		
Deposits	15,890	15,890
TOTAL ASSETS	**$ 896,270**	**$ 923,747**

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 62,531	$ 5,185
Deferred rent (Note 5)	17,038	18,109
Total current liabilities	79,569	23,294
NET ASSETS		
Unrestricted:		
Undesignated	30,962	358,786
Board designated reserve (Note 4)	500,000	500,000
Total unrestricted net assets	530,962	858,786
Temporarily restricted (Note 2)	285,739	41,667
Total net assets	816,701	900,453
TOTAL LIABILITIES AND NET ASSETS	**$ 896,270**	**$ 923,747**

See accompanying notes to financial statements.

FAIR CHANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	$ 344,261	$ 285,739	$ 630,000
Individual contributions	66,484	-	66,484
Corporate contributions	24,560	-	24,560
Net assets released from donor restrictions (Note 3)	41,667	(41,667)	-
Total contributions	476,972	244,072	721,044
Special events revenue	497,837	-	497,837
Special events, in-kind contribution revenue	43,700	-	43,700
Special events expenses	(145,336)	-	(145,336)
Special events, in-kind contribution expense	(43,700)	-	(43,700)
Special events revenue net	352,501	-	352,501
In-kind contributions	82,700	-	82,700
Interest income	8,798	-	8,798
Fees for service	20,513	-	20,513
Total support and revenue	941,484	244,072	1,185,556
EXPENSES			
Program Services	816,848	-	816,848
Management and General	208,571	-	208,571
Fundraising	243,889	-	243,889
Total expenses	1,269,308	-	1,269,308
Changes in net assets	(327,824)	244,072	(83,752)
Net assets at beginning of year	858,786	41,667	900,453
NET ASSETS AT END OF YEAR	**$ 530,962**	**$ 285,739**	**$ 816,701**

2013		
Unrestricted	**Temporarily Restricted**	**Total**
$ 400,333	$ 41,667	$ 442,000
158,123	-	158,123
27,000	-	27,000
93,997	(93,997)	-
679,453	(52,330)	627,123
336,005	-	336,005
24,310	-	24,310
(133,569)	-	(133,569)
(24,310)	-	(24,310)
202,436	-	202,436
55,331	-	55,331
9,640	-	9,640
2,622	-	2,622
949,482	(52,330)	897,152
715,134	-	715,134
84,961	-	84,961
206,121	-	206,121
1,006,216	-	1,006,216
(56,734)	(52,330)	(109,064)
915,520	93,997	1,009,517
$ 858,786	**$ 41,667**	**$ 900,453**

FAIR CHANCE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (83,752)	$ (109,064)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	2,997	2,937
Donated fixed assets	-	(5,855)
Deferred rent	(1,071)	1,756
(Increase) decrease in:		
Pledges and contributions receivable	(142,491)	(19,530)
Prepaid expenses	548	(1,848)
Decrease in:		
Accounts payable and accrued liabilities	57,346	(762)
Net cash used by operating activities	(166,423)	(132,366)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(18,309)	(2,570)
Net cash used by investing activities	(18,309)	(2,570)
Net decrease in cash and cash equivalents	(184,732)	(134,936)
Cash and cash equivalents at beginning of year	815,709	950,645
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 630,977**	**$ 815,709**

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.

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, 2014 and 2013, 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. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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, 2014 and 2013 totaled $126,400 and $79,641, respectively.

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

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.

Contributions -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants 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.

Contributions and 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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014 and 2013:

	2014	2013
Time Restricted	$ 285,739	$ 41,667

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2014 and 2013, through the passage of time, which satisfied the restricted purposes specified by the donors:

	2014	2013
Passage of Time	$ 41,667	$ 93,997

4. BOARD DESIGNATED RESERVES

Included in unrestricted net assets at December 31, 2014 and 2013 are Board designated reserves in the amount of $500,000. 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 2017.

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, 2014 and 2013, the deferred rent liability was $17,038 and $18,109, respectively.

Rent expense (including utilities) for the years ended December 31, 2014 and 2013 totaled $108,403 and $96,689, respectively.

The minimum future lease obligations are as follows:

Year Ending December 31,	
2015	$ 100,227
2016	107,574
2017	9,210
	$ 217,011

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, 2014 and 2013, Fair Chance contributed $12,840 and $11,378, 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 July 22, 2015, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

FAIR CHANCE

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014				2013
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	$ 360,223	$ 120,797	$ 115,876	$ 596,896	$ 595,178
Payroll taxes	30,827	10,338	9,917	51,082	51,465
Benefits	28,048	9,405	9,022	46,475	42,570
Occupancy	65,421	21,938	21,044	108,403	96,689
Partner organization support	6,365	-	-	6,365	5,142
Professional fees/consultants	180,517	21,087	67,366	268,970	78,881
Accounting and audit fees	15,637	5,244	5,030	25,911	31,264
Supplies	7,973	2,673	2,564	13,210	11,929
Staff development	2,762	1,152	741	4,655	8,591
Depreciation and amortization	1,808	607	582	2,997	2,937
Information technology	18,958	6,357	6,098	31,413	20,628
Travel	3,921	3,028	173	7,122	2,337
Printing	5,262	1,964	2,540	9,766	1,943
Insurance	2,214	742	712	3,668	3,646
Meetings	1,715	459	553	2,727	1,468
Membership dues	3,567	1,196	1,147	5,910	1,379
Bank/corporate fees	-	1,038	-	1,038	693
In-kind expenses	81,630	546	524	82,700	49,476
TOTAL	**$ 816,848**	**$ 208,571**	**$ 243,889**	**$1,269,308**	**$1,006,216**