

**FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014**

**FAIR CHANCE**

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## 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, 2015 and 2014, 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, 2015 and 2014, 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 11 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*

April 29, 2016

**FAIR CHANCE**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2015 AND 2014**

<b>ASSETS</b>		<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	469,679	\$ 630,977
Grants and contributions receivable		225,732	210,704
Prepaid expenses		<u>10,718</u>	<u>12,905</u>
Total current assets		<u>706,129</u>	<u>854,586</u>
<b>FIXED ASSETS</b>			
Furniture, fixtures and equipment		48,209	46,354
Leasehold improvements		<u>3,895</u>	<u>3,895</u>
		52,104	50,249
Less: Accumulated depreciation and amortization		<u>(31,879)</u>	<u>(24,455)</u>
Net fixed assets		<u>20,225</u>	<u>25,794</u>
<b>OTHER ASSETS</b>			
Grants and contributions receivable, net of current portion		100,000	-
Deposits		<u>15,890</u>	<u>15,890</u>
Total other assets		<u>115,890</u>	<u>15,890</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>842,244</u></b>	<b>\$ <u>896,270</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	104,922	\$ 62,531
Deferred rent (Note 5)		<u>12,799</u>	<u>17,038</u>
Total current liabilities		<u>117,721</u>	<u>79,569</u>
<b>NET ASSETS</b>			
Unrestricted:			
Undesignated		23,273	30,962
Board designated reserve (Note 4)		<u>400,000</u>	<u>500,000</u>
Total unrestricted net assets		<u>423,273</u>	<u>530,962</u>
Temporarily restricted (Note 2)		<u>301,250</u>	<u>285,739</u>
Total net assets		<u>724,523</u>	<u>816,701</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>842,244</u></b>	<b>\$ <u>896,270</u></b>

See accompanying notes to financial statements.

FAIR CHANCE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Foundation grants	\$ 440,870	\$ 50,417	\$ 491,287
Individual contributions	219,480	195,000	414,480
Corporate contributions	-	-	-
Government funding	4,167	5,833	10,000
Net assets released from donor restrictions (Note 3)	<u>235,739</u>	<u>(235,739)</u>	<u>-</u>
Total contributions	<u>900,256</u>	<u>15,511</u>	<u>915,767</u>
Special events revenue	498,655	-	498,655
Special events, in-kind contribution revenue	70,009	-	70,009
Special events expenses	(145,063)	-	(145,063)
Special events, in-kind contribution expense	<u>(70,009)</u>	<u>-</u>	<u>(70,009)</u>
Special events revenue net	<u>353,592</u>	<u>-</u>	<u>353,592</u>
In-kind contributions	33,400	-	33,400
Interest income	8,884	-	8,884
Fees for service	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,296,132</u>	<u>15,511</u>	<u>1,311,643</u>
<b>EXPENSES</b>			
Program Services	878,934	-	878,934
Management and General	238,975	-	238,975
Fundraising	<u>285,912</u>	<u>-</u>	<u>285,912</u>
Total expenses	<u>1,403,821</u>	<u>-</u>	<u>1,403,821</u>
Changes in net assets	(107,689)	15,511	(92,178)
Net assets at beginning of year	<u>530,962</u>	<u>285,739</u>	<u>816,701</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 423,273</u></b>	<b><u>\$ 301,250</u></b>	<b><u>\$ 724,523</u></b>

2014		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 344,261	\$ 285,739	\$ 630,000
66,484	-	66,484
24,560	-	24,560
-	-	-
<u>41,667</u>	<u>(41,667)</u>	<u>-</u>
<u>476,972</u>	<u>244,072</u>	<u>721,044</u>
497,837	-	497,837
43,700	-	43,700
(145,336)	-	(145,336)
<u>(43,700)</u>	<u>-</u>	<u>(43,700)</u>
<u>352,501</u>	<u>-</u>	<u>352,501</u>
82,700	-	82,700
8,798	-	8,798
<u>20,513</u>	<u>-</u>	<u>20,513</u>
<u>941,484</u>	<u>244,072</u>	<u>1,185,556</u>
816,848	-	816,848
208,571	-	208,571
<u>243,889</u>	<u>-</u>	<u>243,889</u>
<u>1,269,308</u>	<u>-</u>	<u>1,269,308</u>
(327,824)	244,072	(83,752)
<u>858,786</u>	<u>41,667</u>	<u>900,453</u>
<u>\$ 530,962</u>	<u>\$ 285,739</u>	<u>\$ 816,701</u>

See accompanying notes to financial statements.

**FAIR CHANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (92,178)	\$ (83,752)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	7,424	2,997
Donated securities	(13,490)	-
Deferred rent	(4,239)	(1,071)
(Increase) decrease in:		
Grants and contributions receivable	(115,028)	(142,491)
Prepaid expenses	2,187	548
Increase in:		
Accounts payable and accrued liabilities	<u>42,391</u>	<u>57,346</u>
Net cash used by operating activities	<u>(172,933)</u>	<u>(166,423)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,855)	(18,309)
Proceeds from sale of donated securities	<u>13,490</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>11,635</u>	<u>(18,309)</u>
Net decrease in cash and cash equivalents	(161,298)	(184,732)
Cash and cash equivalents at beginning of year	<u>630,977</u>	<u>815,709</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 469,679</u>	<u>\$ 630,977</u>

## FAIR CHANCE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

#### 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 as 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, 2015 and 2014, 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.

##### In-kind contributions -

In-kind contributions are reflected in the financial statements at their market value on the date the contribution is made.

FAIR CHANCE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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

In-kind contributions (continued) -

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, 2015 and 2014 totaled \$103,409 and \$126,400, 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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Time Restricted	\$ <u>301,250</u>	\$ <u>285,739</u>

FAIR CHANCE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2015 and 2014, through the passage of time, which satisfied the restricted purposes specified by the donors:

	<u>2015</u>	<u>2014</u>
Passage of Time	\$ <u>235,739</u>	\$ <u>41,667</u>

4. BOARD DESIGNATED RESERVES

Included in unrestricted net assets at December 31, 2015 and 2014, are Board designated reserves in the amount of \$400,000 and \$500,000, 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 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, 2015 and 2014, the deferred rent liability was \$12,799 and \$17,038, respectively.

Occupancy expense (including utilities) for the years ended December 31, 2015 and 2014 totaled \$109,519 and \$108,403, respectively.

The minimum future lease obligations are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 107,574
2017	<u>9,210</u>
	<u>\$ 116,784</u>

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, 2015 and 2014, Fair Chance contributed \$15,165 and \$12,840, 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 April 29, 2016, the date the financial statements were issued.

**SUPPLEMENTAL INFORMATION**

## FAIR CHANCE

**SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 425,841	\$ 154,254	\$ 179,454	\$ 759,549	\$ 596,896
Payroll taxes	34,338	12,438	14,471	61,247	51,082
Benefits	43,943	15,918	18,518	78,379	46,475
Occupancy	61,402	22,242	25,875	109,519	108,403
Partner organization support	12,867	-	-	12,867	6,365
Professional fees/consultants	186,172	3,298	9,836	199,306	268,970
Accounting and audit fees	12,453	4,511	5,248	22,212	25,911
Supplies	5,460	1,978	2,301	9,739	13,210
Staff development	2,591	2,040	2,208	6,839	4,655
Depreciation and amortization	4,163	1,507	1,754	7,424	2,996
Information technology	43,208	15,651	18,208	77,067	31,413
Travel	5,895	364	289	6,548	7,122
Printing	3,782	1,149	4,675	9,606	9,766
Insurance	2,108	764	888	3,760	3,668
Meetings	648	235	273	1,156	2,727
Membership dues	1,813	657	764	3,234	5,910
Bank/corporate fees	-	1,968	-	1,968	1,038
In-kind expenses	32,250	-	1,150	33,400	82,700
<b>TOTAL</b>	<b>\$ 878,934</b>	<b>\$ 238,974</b>	<b>\$ 285,912</b>	<b>\$ 1,403,820</b>	<b>\$ 1,269,307</b>