Fair Chance

EVERY CHILD SUCCEEDS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Independent Auditors' Report

The Board of Directors
Fair Chance
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Fair Chance which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider internal control relevant to Fair Chance'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 Fair Chance'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.

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The Board of Directors
Fair Chance
Washington, D.C.

Report on the Financial Statements (Continued)

Auditors' Responsibility (Continued)

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2018 financial statements of Fair Chance, and our report dated February 19, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the 2018 audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Fair Chance adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers, as amended, and Accounting Standards Update 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, in 2019. Our opinion is not modified with respect to these matters.

Mullins PC

Certified Public Accountants

Bethesda, Maryland
November 16, 2020

Fair Chance

Statement of Financial Position
December 31, 2019
With Comparative Totals As of December 31, 2018

Assets

	2019	2018
Assets		
Cash and Cash Equivalents	**$ 908,654**	$ 515,840
Accounts Receivable	**20,665**	-
Grants and Contributions Receivable	**1,433,472**	424,178
Prepaid Expenses	**17,495**	33,944
Property and Equipment - Net	**-**	-
Security Deposit	**15,890**	15,890
Total Assets	**$ 2,396,176**	$ 989,852

Liabilities and Net Assets

	2019	2018
Liabilities		
Accounts Payable and Accrued Expenses	**$ 40,590**	$ 128,526
Deferred Revenues	**44,621**	42,030
Deferred Rent	**5,467**	6,879
Total Liabilities - Total Liabilities	**90,678**	177,435
Net Assets		
Without Donor Restrictions	**407,026**	72,417
Without Donor Restrictions - Board Designated	**300,000**	300,000
With Donor Restrictions	**1,598,472**	440,000
Total Net Assets	**2,305,498**	812,417
Total Liabilities and Net Assets	**$ 2,396,176**	$ 989,852

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Activities
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	**Total**	Total
Support and Revenues				
Grants and Contributions	$ 1,261,331	$ 1,392,510	**$ 2,653,841**	$ 913,974
Contract Revenue	462,390	-	**462,390**	487,103
Special Events - Net of Related Expenses	297,061	-	**297,061**	270,331
In-Kind Contributions	256,155	-	**256,155**	102,614
Interest Income	5,071	-	**5,071**	2,984
Net Assets Released From Restrictions	234,038	(234,038)	**-**	-
Total Support and Revenues	2,516,046	1,158,472	**3,674,518**	1,777,006
Expenses				
Program Services	1,455,169	-	**1,455,169**	1,411,480
Supporting Services				
General and Administrative	391,951	-	**391,951**	324,154
Fundraising	334,317	-	**334,317**	269,730
Total Supporting Services	726,268	-	**726,268**	593,884
Total Expenses	2,181,437	-	**2,181,437**	2,005,364
Changes in Net Assets	334,609	1,158,472	**1,493,081**	(228,358)
Net Assets, Beginning of Year	372,417	440,000	**812,417**	1,040,775
Net Assets, End of Year	$ 707,026	$ 1,598,472	**$ 2,305,498**	$ 812,417

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Functional Expenses
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

	2019				2018
	Program Services	General and Administrative	Fundraising	**Total**	Total
Personnel Costs	$ 719,269	$ 276,666	$ 181,354	**$ 1,177,289**	$ 1,130,663
Professional Services	461,437	58,173	85,512	**605,122**	614,903
Travel	5,549	1,166	400	**7,115**	2,765
Occupancy	79,732	29,121	19,032	**127,885**	121,026
Office	154,221	19,641	46,856	**220,718**	88,268
Events and Meetings	31,055	3,229	257	**34,541**	38,100
Promotional Materials	993	-	222	**1,215**	-
Insurance	2,913	1,047	684	**4,644**	3,990
Interest	-	2,908	-	**2,908**	-
Depreciation	-	-	-	**-**	5,649
Total Expenses	$ 1,455,169	$ 391,951	$ 334,317	**$ 2,181,437**	2,005,364

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Cash Flows
For the Year Ended December 31, 2019
With Comparative Totals For the Year Ended December 31, 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	**$ 1,493,081**	$ (228,358)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	**-**	5,649
Deferred Rent	**(1,412)**	2,093
(Increase) Decrease in Assets		
Accounts Receivable	**(20,665)**	-
Grants and Contributions Receivable	**(1,009,294)**	9,823
Prepaid Expenses	**16,449**	(8,285)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	**(87,936)**	94,634
Deferred Revenues	**2,591**	42,030
Net Cash Provided by (Used in) Operating Activities	**392,814**	(82,414)
Net Increase (Decrease) in Cash and Cash Equivalents	**392,814**	(82,414)
Cash and Cash Equivalents, Beginning of Period	**515,840**	598,254
Cash and Cash Equivalents, End of Period	**$ 908,654**	$ 515,840

See Accompanying Notes to Financial Statements

1. Organization and Purpose

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.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of Fair Chance have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires Fair Chance to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Fair Chance. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Fair Chance or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Adopted Accounting Pronouncements

During fiscal 2019, Fair Chance adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, Fair Chance applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on Fair Chance's accounting for contributions or federal grants.

2. Summary of Significant Accounting Policies (Continued)

Adopted Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, Fair Chance adopted ASU 2014-09, using the modified retrospective approach. Fair Chance applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires Fair Chance to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as Fair Chance satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by Fair Chance in the financial statements.

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.

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 and cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances less an allowance for doubtful accounts. It is Fair Chance's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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. All pledges receivable are considered by management to be fully collectible.

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment with an acquisition value of $2,500 or more are capitalized and stated at cost in the accompanying financial statements. Property 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 $2,500 are recorded as expenses are incurred.

Revenue Recognition

Grants and contributions, including unconditional grants and contributions receivable, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. The value of these contributions for the year ended December 31, 2019 was $256,155.

There were no unrecognized conditional contributions as of December 31, 2019.

Contract revenues are based on negotiated rates for services performed. Revenues are received and recognized when the services are rendered.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services based on employee time and effort.

Income Tax Status

Fair Chance is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

Fair Chance follows the Financial Accounting Standards Board Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in Fair Chance's financial statements, if any. As of December 31, 2019, Fair Chance had no unrecognized tax benefits related to uncertain tax positions in its information return that would qualify for either recognition or disclosure in its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

Fair Chance's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. Through December 31, 2019, there have been no matters that would have resulted in an accrual for interest and/or penalties.

Generally, the tax years before 2016 are no longer subject to examination by federal, state, or local taxing authorities.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2021.

Subsequent Events

Management has evaluated subsequent events through November 16, 2020 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the Statement of Financial Position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the Statement of Financial Position date, but disclosures of such events, if any, are included in the accompanying notes.

3. CONCENTRATION OF CREDIT RISK

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. As of December 31, 2019, bank balances exceeded the FDIC limit by approximately $450,000.

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, grants and contributions are expected to be received as follows:

2020	$ 893,472
2021	540,000
Total	$ 1,433,472

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019:

Furniture, Fixtures and Equipment	$ 48,209
Leasehold Improvements	3,895
Total	52,104
Less Accumulated Depreciation and Amortization	(52,104)
Property and Equipment, Net	$ -

There was no depreciation and amortization expense recorded during the year ended December 31, 2019.

6. NET ASSETS

Net assets with donor restrictions were as follows:

	2018	Contributions	Releases	2019
Program Restricted	$ 100,000	$ -	$ -	**$ 100,000**
Time Restricted	340,000	1,392,510	(234,038)	**1,498,472**
Total	$ 440,000	$ 1,392,510	$ (234,038)	**$ 1,598,472**

Included in net assets without donor restrictions at December 31, 2019, are Board designated reserves in the amounts of $300,000. The reserves are designated for the purpose of covering operating expenses in case of an unforeseen hardship.

7. LEASE COMMITMENTS

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

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 Statement of Financial Position. As of December 31, 2019, the deferred rent liability was $5,467.

Rent expense for the year ended December 31, 2019 was $124,395.

7. LEASE COMMITMENTS (CONTINUED)

As of December 31, 2019, future minimum lease payments were as follows:

2020	$ 123,971
2021	10,356
Total	$ 134,327

8. RETIREMENT 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 year ended December 31, 2019, Fair Chance contributed $16,789 to the plan.

9. LIQUIDITY AND AVAILABILITY

The following represents Fair Chance's financial assets at December 31, 2019:

Financial Assets at Year End:	
Cash and Cash Equivalents	$ 908,654
Accounts Receivable	20,665
Grants and Contributions Receivable	893,472
Total Financial Assets	1,822,791
Less: Restricted Amounts Not Available To Be Used Within One Year:	
Donor-Restricted	(1,598,472)
Donor-Restricted To Be Used in Next Twelve Months	893,472
Board-Designated	(300,000)
	(1,005,000)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 817,791

As part of Fair Chance's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical. If needed the Board of Directors can approve an appropriation from the board designated net assets for operations.

10. Subsequent Events

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. Fair Chance is closely monitoring its liquidity and is actively working to minimize the impact of the health crisis. Fair Chance received funding from the Paycheck Protection Program under the CARES act. The funding has been structured to comply with the forgiveness provisions at the end of the covered period.

Fair Chance's financial statements do not include adjustments that have resulted from the economic declines and uncertainty.