Fair Chance
EVERY CHILD SUCCEEDS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

MULLINS P.C.
A CPA firm dedicated to serving nonprofits

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, 2020 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.

7625 Wisconsin Avenue, Suite 317 | Bethesda, Maryland 20814
202.770.6371 | www.mullinspc.com | john@mullinspc.com

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, 2020, 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 2019 financial statements of Fair Chance, and our report dated April 28, 2021, 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, 2019, is consistent, in all material respects, with the 2019 audited financial statements from which it has been derived.

Mullins PC

Certified Public Accountants

Bethesda, Maryland
November 23, 2021

Fair Chance

Statement of Financial Position
December 31, 2020
With Comparative Totals As of December 31, 2019

Assets

	2020	2019
Assets		
Cash and Cash Equivalents	**$ 1,036,229**	$ 806,813
Accounts Receivable	**18,000**	20,665
Grants and Contributions Receivable	**759,960**	1,433,472
Certificate of Deposit	**103,190**	101,841
Prepaid Expenses	**18,200**	17,495
Property and Equipment - Net	**-**	-
Security Deposit	**15,890**	15,890
Total Assets	**$ 1,951,469**	$ 2,396,176

Liabilities and Net Assets

	2020	2019
Liabilities		
Accounts Payable and Accrued Expenses	**$ 99,873**	$ 40,590
Deferred Revenues	**93,980**	44,621
Deferred Rent	**444**	5,467
Total Liabilities	**194,297**	90,678
Net Assets		
Without Donor Restrictions	**111,902**	115,530
Without Donor Restrictions - Board Designated	**300,000**	300,000
With Donor Restrictions	**1,345,270**	1,889,968
Total Net Assets	**1,757,172**	2,305,498
Total Liabilities and Net Assets	**$ 1,951,469**	$ 2,396,176

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Activities
For the Year Ended December 31, 2020
With Comparative Totals For the Year Ended December 31, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	**Total**	Total
Support and Revenues				
Grants and Contributions	$ 762,952	$ 80,000	**$ 842,952**	$ 2,653,841
Forgivable Loan - PPP	215,247	-	**215,247**	-
Contract Revenue	610,354	-	**610,354**	462,390
Special Events - Net of Related Expenses	223,816	-	**223,816**	297,061
In-Kind Contributions	122,347	-	**122,347**	256,155
Interest Income	2,336	-	**2,336**	5,071
Net Assets Released From Restrictions	624,698	(624,698)	**-**	-
Total Support and Revenues	2,561,750	(544,698)	**2,017,052**	3,674,518
Expenses				
Program Services	1,558,183	-	**1,558,183**	1,454,999
Supporting Services				
General and Administrative	653,460	-	**653,460**	392,121
Fundraising	353,735	-	**353,735**	334,317
Total Supporting Services	1,007,195	-	**1,007,195**	726,438
Total Expenses	2,565,378	-	**2,565,378**	2,181,437
Changes in Net Assets	(3,628)	(544,698)	**(548,326)**	1,493,081
Net Assets, Beginning of Year	415,530	1,889,968	**2,305,498**	812,417
Net Assets, End of Year	$ 411,902	$ 1,345,270	**$ 1,757,172**	$ 2,305,498

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Functional Expenses
For the Year Ended December 31, 2020
With Comparative Totals For the Year Ended December 31, 2019

	2020				2019
	Program Services	General and Administrative	Fundraising	**Total**	Total
Personnel Costs	$ 872,311	$ 375,068	$ 302,754	**$ 1,550,133**	$ 1,177,289
Professional Services	556,497	195,780	2,534	**754,811**	605,122
Travel	430	451	26	**907**	7,115
Occupancy	83,203	17,468	28,117	**128,788**	127,885
Office	33,839	47,733	15,633	**97,205**	220,718
Events and Meetings	11,903	6,807	4,275	**22,985**	34,541
Promotional Materials	-	7,075	396	**7,471**	1,215
Insurance	-	3,078	-	**3,078**	4,644
Total Expenses	$ 1,558,183	$ 653,460	$ 353,735	**$ 2,565,378**	2,181,437

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Cash Flows
For the Year Ended December 31, 2020
With Comparative Totals For the Year Ended December 31, 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	**$ (548,326)**	$ 1,493,081
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Accrued Interest on Certificate of Deposit	**(1,349)**	-
Deferred Rent	**(5,023)**	(1,412)
(Increase) Decrease in Assets		
Accounts Receivable	**2,665**	(20,665)
Grants and Contributions Receivable	**673,512**	(1,009,294)
Prepaid Expenses	**(705)**	16,449
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	**59,283**	(87,936)
Deferred Revenues	**49,359**	2,591
Net Cash Provided by (Used in) Operating Activities	**229,416**	392,814
Net Increase (Decrease) in Cash and Cash Equivalents	**229,416**	392,814
Cash and Cash Equivalents, Beginning of Period	**806,813**	413,999
Cash and Cash Equivalents, End of Period	**$ 1,036,229**	$ 806,813

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.

The coronavirus (COVID-19) outbreak in the United States commenced prior to Fair Chance's fiscal year-end and has directly impacted its operations since early spring 2020. The COVID-19 pandemic caused a broad and negative impact on commerce and financial markets around the world including travel restrictions and limits on in-person gatherings.

Accordingly, the extent to which COVID-19 may impact Fair Chance's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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. If a restricted contribution is received and released in the same fiscal year, Fair Chance will report the contribution as net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity US GAAP 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.

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 property and equipment with an acquisition value of less than $2,500 are recorded as expenses when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 was $122,347.

During the year ended December 31, 2020, Fair Chance received a $215,247 forgivable loan from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The forgivable loan is a conditional contribution that can be recognized as revenue when the underlying conditions are met. Fair Chance has elected to treat the eligible costs as the condition. During the year ended December 31, 2020, Fair Chance recognized $215,247 as contribution revenue. Subsequent to year-end, the first draw of the PPP funds was legally forgiven.

There were no unrecognized conditional contributions as of December 31, 2020.

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, 2020, 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, 2020, there have been no matters that would have resulted in an accrual for interest and/or penalties.

Generally, the tax years before 2017 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 23, 2021 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, 2020, bank balances exceeded the FDIC limit by approximately $717,000.

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2020, grants and contributions are expected to be received as follows:

2021	$ 744,960
2022	15,000
Total	$ 759,960

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020:

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, 2020.

6. NET ASSETS

Net assets with donor restrictions were as follows:

	2019	Contributions	Releases	2020
Program Expansion	$ 100,000	$ -	$ -	**$ 100,000**
Capacity Building	1,334,968	-	(334,698)	**1,000,270**
Time Restricted	455,000	80,000	(290,000)	**245,000**
Total	$1,889,968	$ 80,000	$ (624,698)	**$ 1,345,270**

Included in net assets without donor restrictions at December 31, 2020, 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.

During February 2021, Fair Chance entered into a twelve month office lease that calls for monthly rental payments of $1,500.

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, 2020, the deferred rent liability was $444.

Rent expense for the year ended December 31, 2020 was $125,534.

7. LEASE COMMITMENTS (CONTINUED)

As of December 31, 2020, future minimum lease payments were as follows:

2021	$	26,856
2022		1,500
Total	$	28,356

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, 2020, Fair Chance contributed $19,867 to the plan.

9. LIQUIDITY AND AVAILABILITY

The following represents Fair Chance's financial assets at December 31, 2020:

Financial Assets at Year End:		
Cash and Cash Equivalents	$	1,036,229
Certificate of Deposit		103,190
Accounts Receivable		18,000
Grants and Contributions Receivable		759,960
Total Financial Assets		1,917,379
Less: Restricted Amounts Not Available To Be Used Within One Year:		
Donor-Restricted		(1,345,270)
Donor-Restricted To Be Used in Next Twelve Months		1,330,270
Board-Designated		(300,000)
Certificate of Deposit Maturing in 2022		(103,190)
		(418,190)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$	1,499,189

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, Fair Chance received a $259,935 second draw from the SBA's Paycheck Protection Program. The second draw was structured to be forgiven when the conditions are met.