Fair Chance
EVERY CHILD SUCCEEDS

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Fair Chance (Fair Chance), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fair Chance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fair Chance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fair Chance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the 2021 financial statements of Fair Chance, and our report dated April 13, 2022, 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, 2021, is consistent, in all material respects, with the 2021 audited financial statements from which it has been derived.

Mullins PC

Bethesda, Maryland
September 21, 2023

Certified Public Accountants

Fair Chance

Statement of Financial Position
December 31, 2022
With Comparative Totals As of December 31, 2021

Assets

	2022	2021
Assets		
Cash and Cash Equivalents	**$ 615,869**	$ 1,076,541
Grants and Contributions Receivable	**1,160,639**	341,843
Certificate of Deposit	**103,688**	103,525
Prepaid Expenses	**12,374**	19,102
Property and Equipment - Net	**-**	-
Security Deposit	**3,220**	1,500
Total Assets	**$ 1,895,790**	$ 1,542,511

Liabilities and Net Assets

	2022	2021
Liabilities		
Accounts Payable and Accrued Expenses	**$ 105,478**	$ 111,478
Deferred Revenues	**115,579**	63,673
Total Liabilities	**221,057**	175,151
Net Assets		
Without Donor Restrictions	**496,254**	312,150
Without Donor Restrictions - Board Designated	**300,000**	300,000
With Donor Restrictions	**878,479**	755,210
Total Net Assets	**1,674,733**	1,367,360
Total Liabilities and Net Assets	**$ 1,895,790**	$ 1,542,511

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Activities
For the Year Ended December 31, 2022
With Comparative Totals For the Year Ended December 31, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	**Total**	Total
Support and Revenues				
Grants and Contributions	$ 1,641,882	$ 604,508	**$ 2,246,390**	$ 952,788
Forgivable Loan - PPP	-	-	**-**	259,935
Contract Revenue	347,062	-	**347,062**	565,175
Special Events - Net of Related Expenses	332,933	-	**332,933**	144,285
In-Kind Contributions	105,281	-	**105,281**	186,535
Interest Income	3,258	-	**3,258**	788
Net Assets Released From Restrictions	481,239	(481,239)	**-**	-
Total Support and Revenues	2,911,655	123,269	**3,034,924**	2,109,506
Expenses				
Program Services	1,418,124	-	**1,418,124**	1,556,774
Supporting Services				
General and Administrative	647,020	-	**647,020**	572,454
Fundraising	662,407	-	**662,407**	370,090
Total Supporting Services	1,309,427	-	**1,309,427**	942,544
Total Expenses	2,727,551	-	**2,727,551**	2,499,318
Changes in Net Assets	184,104	123,269	**307,373**	(389,812)
Net Assets, Beginning of Year	612,150	755,210	**1,367,360**	1,757,172
Net Assets, End of Year	$ 796,254	$ 878,479	**$ 1,674,733**	$ 1,367,360

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Functional Expenses
For the Year Ended December 31, 2022
With Comparative Totals For the Year Ended December 31, 2021

	2022				2021
	Programs	General and Administrative	Fundraising	**Total**	Total
Personnel Costs	$ 933,092	$ 405,580	$ 409,716	**$ 1,748,388**	$ 1,562,872
Professional Services	410,492	156,185	87,327	**654,004**	793,013
Travel	394	367	127	**888**	6,737
Occupancy	29,683	5,805	7,175	**42,663**	32,498
Office	31,640	61,180	64,179	**156,999**	82,675
Events and Meetings	12,645	10,654	93,865	**117,164**	14,662
Promotional Materials	178	-	18	**196**	1,568
Insurance	-	7,249	-	**7,249**	5,293
Total Expenses	$ 1,418,124	$ 647,020	$ 662,407	**$ 2,727,551**	2,499,318

See Accompanying Notes to Financial Statements

Fair Chance

Statement of Cash Flows
For the Year Ended December 31, 2022
With Comparative Totals For the Year Ended December 31, 2021

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	**$ 307,373**	$ (389,812)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Accrued Interest on Certificate of Deposit	**(163)**	(335)
Deferred Rent	**-**	(444)
(Increase) Decrease in Assets		
Accounts Receivable	**-**	18,000
Grants and Contributions Receivable	**(818,796)**	418,117
Prepaid Expenses	**6,728**	(902)
Security Deposit	**(1,720)**	14,390
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	**(6,000)**	11,605
Deferred Revenues	**51,906**	(30,307)
Forgivable Loan - PPP	**-**	(259,935)
Net Cash Provided by (Used in) Operating Activities	**(460,672)**	(219,623)
Cash Flows from Financing Activities		
Proceeds from Forgivable Loan - PPP	**-**	259,935
Net Cash Provided By (Used in) Financing Activities	**-**	259,935
Net Increase (Decrease) in Cash and Cash Equivalents	**(460,672)**	40,312
Cash and Cash Equivalents, Beginning of Period	**1,076,541**	1,036,229
Cash and Cash Equivalents, End of Period	**$ 615,869**	$ 1,076,541

See Accompanying Notes to Financial Statements

Notes to Financial Statements
December 31, 2022

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. We fulfill our mission by focusing our efforts in capacity-based partnerships.

Pathways Partnership - The Pathways Partnership promotes organizational stability through a 6-month engagement focusing on strengthening capacity in two of the following areas: Board Development, Fundraising, Resource Alignment, and/or Program Evaluation. The intended outcomes of the Partnership are that Executive Directors gain a thorough understanding of the Partnership focus areas and nonprofits develop a strong organizational foundation. Organizations led by people of color (POC) face systemic barriers that prevent them from thriving. As part of Fair Chance's commitment to racial equity, priority consideration for the Pathways Partnership is given to organizations led by POC (meaning that either the Executive Director or the majority of the Board of Directors, including the Board chair, identify as POC).

Praxis Partnership - The Praxis Partnership accelerates sustainability and growth for nonprofits. The twelve-month engagement focuses on strengthening capacity in four of the following areas: Board Development, Financial Management, Fundraising, Human Resources, Leadership Development, Outreach& Communications, Planning & Strategy, and/or Program Evaluation. The intended outcomes for Partner nonprofits are to develop or improve systems that lead to increased revenue and number of participants served.

Ready for Work Nonprofit Capacity Building Initiative - The Ready for Work Nonprofit Capacity Building Initiative is a three-year partnership with selected nonprofits in Prince George's County, MD. This initiative helps nonprofits improve organizational outcomes and strengthen their capacity to support young people in achieving their goals. Ready for Work is an initiative of the Prince George's County Council and co-managed with Venture Philanthropy Partners and RaiseDC.

Replication - For over 17 years, Fair Chance has developed and delivered a proven approach to strengthening local community-based nonprofits serving children and families experiencing poverty. Our work strengthens organizational infrastructure and sustainability and in turn, nonprofits go on to achieve better results for the youth they serve. Having worked with 120 nonprofits in DC with impressive results, and recently expanded to Maryland, Fair Chance is exploring replication of our model in additional locations. We are seeking potential replication partners (capacity building organizations and funders) looking to strengthen the sustainability and impact of nonprofits serving communities experiencing racism and poverty.

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.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 statement 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.

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. As of December 31, 2022, there were no accounts receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected in future years are recorded at 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. A pledge discount was not reported because the amount was immaterial.

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.

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, 2022 was $105,281.

There were no unrecognized conditional contributions as of December 31, 2022.

Contract revenues are based on negotiated rates for services performed. Revenues are received and recognized when the services are rendered. Funds received in advance of earning the revenue are recorded as deferred revenue. As of December 31, 2022, Fair Chance had $115,579 of deferred revenue related to cash received before year end that had not been earned by year-end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents 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, 2022, 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.

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, 2022, there have been no matters that would have resulted in an accrual for interest and/or penalties.

Generally, the tax years before 2019 are no longer subject to examination by federal, state, or local taxing authorities.

New Accounting Pronouncements

In 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. The new standard applies to finance and operating leases entered into after the standard was issued. Fair Chance does not have any leases requiring recognition on the statement of financial position.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires Organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective beginning in 2023.

Subsequent Events

Management has evaluated subsequent events through September 21, 2023 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, 2022, bank balances exceeded the FDIC limit by approximately $365,000.

4. CERTIFICATES OF DEPOSIT AND FAIR VALUE MEASUREMENTS

Fair Chance reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

4. CERTIFICATES OF DEPOSIT AND FAIR VALUE MEASUREMENTS (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset. Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest.

	Fair Value	Level 2
Certificates of Deposit	$ 103,688	$ 103,688

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022, grants and contributions are expected to be received as follows:

2023	$ 885,639
2024	200,000
2025	75,000
Total	$ 1,160,639

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in deferred revenue (contract liabilities) for the year ended December 31, 2022:

Deferred Revenue, Beginning of Year	$ 63,673
Revenue recognized that was included in deferred revenue at the beginning of the year	(63,673)
Increase in deferred revenue due to cash received during the year	115,579
Deferred Revenue, End of Year	$ 115,579

Deferred revenue at December 31, 2022, equals the transaction price allocated to unfulfilled performance obligations for the year then ended, and the amount is expected to be recognized in one year or less.

7. NET ASSETS

Net assets with donor restrictions were as follows:

	2021	Contributions	Releases	2022
Program Expansion	$ 100,000	$ -	$ -	**$ 100,000**
Capacity Building	580,210	47,859	(436,239)	**191,830**
Coalition for NP	-	30,000	-	**30,000**
OST Programming	-	51,649	-	**51,649**
Time Restricted	75,000	475,000	(45,000)	**505,000**
Total	$ 755,210	$ 604,508	$ (481,239)	**$ 878,479**

Subsequent to yearend, a donor re-characterized their restricted donation originally restricted for program expansion. During 2023, the $100,000 was re-classified to net assets without donor restriction.

Included in net assets without donor restrictions at December 31, 2022, 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.

8. LEASE COMMITMENTS

During February 2022, Fair Chance entered into a twelve month office lease that calls for monthly rental payments of $3,220.

Rent expense for the year ended December 31, 2022 was $42,663.

As of December 31, 2022, future minimum lease payments were as follows:

2023	$ 44,791
2024	3,781
Total	$ 48,572

9. 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, 2022, Fair Chance contributed $29,940 to the plan.

10. LIQUIDITY AND AVAILABILITY

The following represents Fair Chance's financial assets at December 31, 2022:

Financial Assets at Year End:	
Cash and Cash Equivalents	$ 615,869
Certificate of Deposit	103,688
Grants and Contributions Receivable	885,639
Total Financial Assets	1,605,196
Less: Restricted Amounts Not Available To Be Used Within One Year:	
Donor-Restricted	(878,479)
Donor-Restricted To Be Used in Next Twelve Months	613,478
Board-Designated	(300,000)
Certificate of Deposit Maturing in 2024	(103,688)
	(668,689)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 936,507

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.