FINANCIAL STATEMENTS

FAIR CHANCE

FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

FAIR CHANCE

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fair Chance
Washington, D.C.

We have audited the accompanying statements of financial position of Fair Chance as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Fair Chance's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

May 19, 2011

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FAIR CHANCE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	$ 702,411	$ 733,726
Pledges receivable	80,603	112,804
Prepaid expenses	4,957	4,617
Total current assets	787,971	851,147
FIXED ASSETS		
Furniture, fixtures and equipment	18,379	18,379
Leasehold improvements	10,150	10,150
	28,529	28,529
Less: Accumulated depreciation and amortization	(17,104)	(12,358)
Net fixed assets	11,425	16,171
OTHER ASSETS		
Deposits	7,640	7,640
TOTAL ASSETS	**$ 807,036**	**$ 874,958**

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 10,827	$ 11,013
NET ASSETS		
Unrestricted:		
Undesignated	244,959	308,362
Board designated (Note 4)	400,000	400,000
Total unrestricted net assets	644,959	708,362
Temporarily restricted (Note 2)	151,250	155,583
Total net assets	796,209	863,945
TOTAL LIABILITIES AND NET ASSETS	**$ 807,036**	**$ 874,958**

See accompanying notes to financial statements.

FAIR CHANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Government funding	$ 229,534	$ -	$ 229,534
Foundation/Trust grants	80,500	180,000	260,500
Individual contributions	65,690	-	65,690
Corporate contributions	23,500	25,000	48,500
Earned revenues	-	-	-
Net assets released from donor restrictions (Note 3)	209,333	(209,333)	-
Total contributions	608,557	(4,333)	604,224
Special events revenue	149,854	-	149,854
Special events, in-kind contribution revenue	12,400	-	12,400
Special events expenses	(66,551)	-	(66,551)
Special Events, in-kind contribution expense	(12,400)	-	(12,400)
Special events, net	83,303	-	83,303
In-kind contributions	25,725	-	25,725
Interest/dividend income	8,979	-	8,979
Other income	-	-	-
Total revenue	726,564	(4,333)	722,231
EXPENSES			
Program Services	572,310	-	572,310
Management and General	56,783	-	56,783
Fundraising	160,874	-	160,874
Total expenses	789,967	-	789,967
Changes in net assets	(63,403)	(4,333)	(67,736)
Net assets at beginning of year	708,362	155,583	863,945
NET ASSETS AT END OF YEAR	**$ 644,959**	**$ 151,250**	**$ 796,209**

2009		
Unrestricted	**Temporarily Restricted**	**Total**
$ 261,544	$ -	$ 261,544
116,417	130,583	247,000
54,174	-	54,174
47,000	25,000	72,000
2,800	-	2,800
175,188	(175,188)	-
657,123	(19,605)	637,518
103,121	-	103,121
-	-	-
(44,342)	-	(44,342)
-	-	-
58,780	-	58,780
142,726	-	142,726
9,276	-	9,276
586	-	586
868,491	(19,605)	848,886
711,893	-	711,893
47,389	-	47,389
140,521	-	140,521
899,803	-	899,803
(31,312)	(19,605)	(50,917)
739,674	175,188	914,862
$ 708,362	**$ 155,583**	**$ 863,945**

See accompanying notes to financial statements.

FAIR CHANCE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (67,736)	$ (50,917)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,746	7,492
Gain on disposal of fixed assets	-	(586)
(Increase) decrease in:		
Pledges receivable	32,201	73,430
Prepaid expenses	(340)	(51)
Deposits	-	4,155
Increase (decrease) in:		
Accounts payable and accrued liabilities	(186)	(13,400)
Net cash provided (used) by operating activities	(31,315)	20,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals	-	2,800
Net cash provided by investing activities	-	2,800
Net increase (decrease) in cash and cash equivalents	(31,315)	22,923
Cash and cash equivalents at beginning of year	733,726	710,803
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 702,411**	**$ 733,726**

See accompanying notes to financial statements.

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*.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, Fair Chance has updated references to GAAP in its financial statements issued for the years ended December 31, 2010 and 2009. The adoption of FASB ASC 105 did not impact Fair Chance's financial position or results of operations.

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.

At times during the year, Fair Chance maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) 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. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. 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 financial statements. Fair Chance is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2010 and 2009, 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.

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

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 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, 2010 and 2009 totaled $38,125 and $142,726, 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.

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 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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010 and 2009:

	2010	2009
Time Restricted	$ 151,250	$ 155,583

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

	2010	2009
Passage of Time	$ 209,333	$ 175,188

4. BOARD DESIGNATED NET ASSETS

Included in unrestricted net assets at December 31, 2010 and 2009 are Board designated net assets in the amount of $400,000. 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 2008, Fair Chance entered into a one-year operating lease agreement for its existing office space, which expired December 2009. Fair Chance has not renewed the lease agreement and is paying on a month-to-month basis.

Total rent expense for the years ended December 31, 2010 and 2009 was $91,675 and $83,899, respectively.

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 three months of full-time employment. During the years ended December 31, 2010 and 2009, Fair Chance contributed $10,587 and $10,518, respectively, toward the plan.

7. SUBSEQUENT EVENTS

In preparing these financial statements, Fair Chance has evaluated events and transactions for potential recognition or disclosure through May 19, 2011, the date the financial statements were issued.

GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION

To the Board of Directors
Fair Chance
Washington, D.C.

Our report on our audit of the basic financial statements of Fair Chance appears on page 2. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedule 1 is presented for the purpose of additional analysis of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gelman Rosenberg & Freedman

May 19, 2011

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FAIR CHANCE

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2009

	2010				2009
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	$ 354,823	$ 36,967	$ 105,803	$ 497,593	$ 462,963
Payroll taxes	30,940	3,223	9,226	43,389	40,630
Benefits	29,879	3,113	8,910	41,902	46,939
Occupancy	65,370	6,811	19,493	91,674	83,899
Partner support	5,912	-	-	5,912	6,855
Professional fees/consultants	8,795	64	232	9,091	19,682
Accounting and audit fees	15,703	1,636	4,682	22,021	24,355
Supplies	7,054	225	842	8,121	10,762
Staff development	4,419	174	497	5,090	11,871
Depreciation and amortization	3,385	353	1,008	4,746	7,492
Equipment maintenance	6,805	709	2,029	9,543	8,904
Telecommunications	7,783	811	2,321	10,915	12,849
Travel	4,129	99	336	4,564	3,783
Printing	2,634	273	1,274	4,181	7,629
Insurance	2,253	235	672	3,160	4,342
Meetings	651	65	346	1,062	1,102
Membership dues	-	-	-	-	1,675
Postage	203	192	125	520	995
Bank fees	-	758	-	758	350
In-kind contributions	21,572	1,075	3,078	25,725	142,726
TOTAL	**$ 572,310**	**$ 56,783**	**$ 160,874**	**$ 789,967**	**$ 899,803**