FINANCIAL STATEMENTS

fair chance

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

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, 2013 and 2012, 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, 2013 and 2012, 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 audit was 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

November 5, 2014

FAIR CHANCE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 815,709	$ 950,645
Pledges and contributions receivable	68,213	48,683
Prepaid expenses	13,453	11,605
Total current assets	897,375	1,010,933
FIXED ASSETS		
Furniture, fixtures and equipment	28,045	19,620
Leasehold improvements	3,895	3,895
	31,940	23,515
Less: Accumulated depreciation and amortization	(21,458)	(18,521)
Net fixed assets	10,482	4,994
OTHER ASSETS		
Deposits	15,890	15,890
TOTAL ASSETS	**$ 923,747**	**$ 1,031,817**

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 5,184	$ 5,946
Deferred rent (Note 5)	18,109	16,353
Total current liabilities	23,293	22,299
NET ASSETS		
Unrestricted:		
Undesignated	358,787	415,521
Board designated reserve (Note 4)	500,000	500,000
Total unrestricted net assets	858,787	915,521
Temporarily restricted (Note 2)	41,667	93,997
Total net assets	900,454	1,009,518
TOTAL LIABILITIES AND NET ASSETS	**$ 923,747**	**$ 1,031,817**

See accompanying notes to financial statements.

FAIR CHANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Government funding	$ -	$ -	$ -
Foundation grants	400,333	41,667	442,000
Individual contributions	158,123	-	158,123
Corporate contributions	27,000	-	27,000
Net assets released from donor restrictions (Note 3)	93,997	(93,997)	-
Total contributions	679,453	(52,330)	627,123
Special events revenue	336,005	-	336,005
Special events, in-kind contribution revenue	24,310	-	24,310
Special events expenses	(133,569)	-	(133,569)
Special events, in-kind contribution expense	(24,310)	-	(24,310)
Special events revenue net	202,436	-	202,436
In-kind contributions	55,331	-	55,331
Interest income	9,640	-	9,640
Fees for service	2,622	-	2,622
Total support and revenue	949,482	(52,330)	897,152
EXPENSES			
Program Services	715,134	-	715,134
Management and General	84,961	-	84,961
Fundraising	206,121	-	206,121
Total expenses	1,006,216	-	1,006,216
Changes in net assets	(56,734)	(52,330)	(109,064)
Net assets at beginning of year	915,521	93,997	1,009,518
NET ASSETS AT END OF YEAR	**$ 858,787**	**$ 41,667**	**$ 900,454**

2012		
Unrestricted	**Temporarily Restricted**	**Total**
$ 179,612	$ -	$ 179,612
318,503	93,997	412,500
85,254	-	85,254
133,000	-	133,000
35,000	(35,000)	-
751,369	58,997	810,366
340,085	-	340,085
22,377	-	22,377
(88,531)	-	(88,531)
(22,377)	-	(22,377)
251,554	-	251,554
52,302	-	52,302
8,377	-	8,377
7,840	-	7,840
1,071,442	58,997	1,130,439
699,600	-	699,600
61,677	-	61,677
148,451	-	148,451
909,728	-	909,728
161,714	58,997	220,711
753,807	35,000	788,807
$ 915,521	**$ 93,997**	**$ 1,009,518**

See accompanying notes to financial statements.

FAIR CHANCE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (109,064)	$ 220,711
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	2,937	3,532
Donated fixed assets	(5,855)	-
Deferred rent	1,756	8,354
(Increase) decrease in:		
Pledges and contributions receivable	(19,530)	83,506
Prepaid expenses	(1,848)	(4,712)
Decrease in:		
Accounts payable and accrued liabilities	(762)	(2,750)
Net cash (used) provided by operating activities	(132,366)	308,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,570)	-
Net cash used by investing activities	(2,570)	-
Net (decrease) increase in cash and cash equivalents	(134,936)	308,641
Cash and cash equivalents at beginning of year	950,645	642,004
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 815,709**	**$ 950,645**

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.

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 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 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, 2013 and 2012, 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. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 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, 2013 and 2012 totaled $79,641 and $74,679, 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.

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

Net asset classification (continued) -

- **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 activities and changes in net assets 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.

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, 2013 and 2012:

	2013	2012
Time Restricted	$ 41,667	$ 93,997

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2013 and 2012, through the passage of time, which satisfied the restricted purposes specified by the donors:

	2013	2012
Passage of Time	$ 93,997	$ 35,000

4. BOARD DESIGNATED RESERVES

Included in unrestricted net assets at December 31, 2013 and 2012 are Board designated reserves in the amount of $500,000. 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 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, 2013 and 2012, the deferred rent liability was $18,109 and $16,353, respectively.

Rent expense (including utilities) for the years ended December 31, 2013 and 2012 totaled $96,689 and $96,114, respectively.

The minimum future lease obligations are as follows:

Year Ending December 31,	
2014	$ 97,058
2015	100,227
2016	107,574
2017	9,210
	$ 314,069

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, 2013 and 2012, Fair Chance contributed $11,378 and $11,562, 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 November 5, 2014, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

FAIR CHANCE

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013				2012
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	$ 415,955	$ 52,260	$ 126,963	$ 595,178	$ 553,758
Payroll taxes	35,968	4,519	10,978	51,465	48,317
Benefits	29,751	3,738	9,081	42,570	40,993
Occupancy	67,574	8,490	20,625	96,689	96,114
Partner organization support	5,142	-	-	5,142	8,937
Professional fees/consultants	60,575	5,090	13,216	78,881	38,202
Accounting and audit fees	21,850	2,745	6,669	31,264	25,910
Supplies	7,665	963	2,340	10,968	8,108
Staff development	6,965	435	1,191	8,591	4,219
Depreciation and amortization	2,052	258	626	2,936	3,532
Information technology	14,417	1,811	4,400	20,628	17,476
Travel	2,060	199	78	2,337	2,848
Printing	1,446	145	352	1,943	1,368
Insurance	2,548	320	778	3,646	3,602
Meetings	1,007	112	349	1,468	1,622
Membership dues	964	121	294	1,379	1,525
Postage	155	19	788	962	569
Bank fees	-	693	-	693	326
In-kind expenses	39,040	3,043	7,393	49,476	52,302
TOTAL	**$ 715,134**	**$ 84,961**	**$ 206,121**	**$ 1,006,216**	**$ 909,728**