

FAIR GIRLS, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2018
(With Comparative Totals for September 30, 2017)

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Independent Auditor's Report

To the Board of Directors
FAIR Girls, Inc.
Washington, DC

We have audited the accompanying financial statements of FAIR Girls, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, 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.

Auditor's 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 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.

Independent Auditor's Report
FAIR Girls, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FAIR Girls, Inc. as of September 30, 2018, 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.

Prior Period Financial Statements

The financial statements as of September 31, 2017 were audited by other auditors whose report dated August 9, 2018 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent in all material respects with the audited financial statements from which it has been derived.

James Marissa & McQuade PA

Washington, DC
February 14, 2019

FAIR GIRLS, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018
(With Comparative Totals For September 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 207,382	\$ 70,063
Grants receivable, current	234,215	155,000
Accounts receivable	3,239	44,617
Prepaid expenses	11,257	7,914
Total Current Assets	<u>456,093</u>	<u>277,594</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	6,199	-
Accumulated depreciation	(245)	-
Property and Equipment, Net	<u>5,954</u>	<u>-</u>
NON-CURRENT ASSETS		
Grants receivable, net of current portion and discount	-	120,429
Security deposit	4,500	8,510
Total Non-Current Assets	<u>4,500</u>	<u>128,939</u>
TOTAL ASSETS	<u>\$ 466,547</u>	<u>\$ 406,533</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 10,415	\$ 18,498
Accrued expenses	12,635	20,969
Total Current Liabilities	<u>23,050</u>	<u>39,467</u>
NET ASSETS		
Unrestricted	313,497	87,066
Temporarily restricted	130,000	280,000
Total Net Assets	<u>443,497</u>	<u>367,066</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 466,547</u>	<u>\$ 406,533</u>

The accompanying notes are an integral part of these financial statements.

FAIR GIRLS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018
(With Comparative Totals For September 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Grants and contributions	\$ 377,791	\$ 65,000	\$ 442,791	\$ 925,842
Grants, state and local	498,115	-	498,115	273,598
Event revenue	1,240	-	1,240	30,350
In-kind contributions	256,225	-	256,225	938,601
Other income	85	-	85	1,537
Net assets released from restrictions	215,000	(215,000)	-	-
Total Revenue and Support	1,348,456	(150,000)	1,198,456	2,169,928
EXPENSES				
Program Services				
Case management	209,445	-	209,445	203,519
Prevention education	96,094	-	96,094	267,221
Vida Home	234,622	-	234,622	355,427
Policy and advocacy	151,585	-	151,585	187,529
Other programs	4,683	-	4,683	105,838
Total Program Services	696,429	-	696,429	1,119,534
Support Services				
General and administrative	386,292	-	386,292	667,166
Fundraising	39,304	-	39,304	49,217
Total Support Services	425,596	-	425,596	716,383
Total Expenses	1,122,025	-	1,122,025	1,835,917
CHANGE IN NET ASSETS	226,431	(150,000)	76,431	334,011
NET ASSETS, beginning of year	87,066	280,000	367,066	33,055
NET ASSETS, end of year	\$ 313,497	\$ 130,000	\$ 443,497	\$ 367,066

The accompanying notes are an integral part of these financial statements.

FAIR GIRLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018
(With Comparative Totals For September 30, 2017)

	Program Services					Support Services			2018 Total Expenses	2017 Total Expenses	
	Case Management	Prevention Education	Vida Home	Policy and Advocacy	Other Programs	Total Programs Services	General and Administrative	Fundraising			Total Support Services
Personnel costs:											
Salaries	\$ 128,104	\$ 66,731	\$ 66,719	\$ 105,781	\$ 438	\$ 367,773	\$ 58,646	\$ 24,862	\$ 83,508	\$ 451,281	\$ 402,061
Payroll taxes	11,186	5,993	5,993	9,189	-	32,361	5,192	2,397	7,589	39,950	41,909
Employee benefits	11,053	5,921	5,921	9,079	-	31,974	5,132	2,369	7,501	39,475	46,321
Subtotal Personnel Costs	150,343	78,645	78,633	124,049	438	432,108	68,970	29,628	98,598	530,706	490,291
Accounting	-	-	-	-	-	-	63,581	-	63,581	63,581	47,239
Bank charges	12	7	-	11	-	30	3,572	17	3,589	3,619	5,007
Client assistance	22,158	171	3,459	-	426	26,214	-	-	-	26,214	33,047
Consultants	6,475	3,473	119,220	5,346	2,837	137,351	3,730	388	4,118	141,469	190,960
Depreciation	69	37	37	56	-	199	31	15	46	245	-
Dues, subscriptions and license fee	1,899	1,017	1,017	1,560	-	5,493	881	407	1,288	6,781	16,380
In kind - food, travel, equipment	-	-	9,930	-	-	9,930	-	3,774	3,774	13,704	-
In kind - legal fee	-	54	9,479	-	982	10,515	232,006	-	232,006	242,521	923,704
Insurance	2,151	1,152	1,152	1,767	-	6,222	1,000	461	1,461	7,683	14,450
Meetings and conferences	27	14	14	22	-	77	12	6	18	95	6,193
Office expenses	727	390	390	598	-	2,105	337	156	493	2,598	7,712
Postage and delivery	282	151	151	232	-	816	132	60	192	1,008	439
Printing and copying	152	81	81	125	-	439	70	33	103	542	908
Rent	18,639	9,985	9,985	15,311	-	53,920	8,655	3,994	12,649	66,569	78,382
Repairs and maintenance	-	-	-	-	-	-	1,526	-	1,526	1,526	3,755
Telephone and internet	4,922	66	223	1,203	-	6,414	1,051	24	1,075	7,489	7,490
Travel	1,589	851	851	1,305	-	4,596	738	341	1,079	5,675	9,960
Total Expenses	\$ 209,445	\$ 96,094	\$ 234,622	\$ 151,585	\$ 4,683	\$ 696,429	\$ 386,292	\$ 39,304	\$ 425,596	\$ 1,122,025	\$ 1,835,917

The accompanying notes are an integral part of these financial statements.

FAIR GIRLS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018
(With Comparative Totals For September 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 76,431	\$ 334,011
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	245	-
Change in present value discount on contributions receivable	(4,571)	4,571
Decrease (increase) in assets:		
Grants receivable	45,785	54,057
Contributions receivable	41,378	(280,000)
Prepaid expenses	(3,343)	(4,354)
Deposits	4,010	(2,720)
Increase (decrease) in liabilities:		
Accounts payable	(8,083)	(12,346)
Accrued expenses	(8,334)	8,342
Deferred revenue	-	(17,700)
Net Cash Provided by Operating Activities	143,518	83,861
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,199)	-
Net Cash Used for Investing Activities	(6,199)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	-	(25,000)
Net Cash Used for Financing Activities	-	(25,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	137,319	58,861
CASH AND CASH EQUIVALENTS, beginning of year	70,063	11,202
CASH AND CASH EQUIVALENTS, end of year	\$ 207,382	\$ 70,063

The accompanying notes are an integral part of these financial statements.

FAIR GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Organization

FAIR Girls, Inc. (formerly, FAIR Fund, Inc.) is a 501(c)(3) nonprofit organization that was incorporated on June 10, 2002 in the Commonwealth of Massachusetts. The mission of FAIR Girls, Inc. is to provide intervention and holistic care to survivors of human trafficking who identify as girls or young women. Through prevention education and policy advocacy, FAIR Girls, Inc. also works to eradicate human trafficking and create brighter outcomes for survivors in the District of Columbia, Maryland and Virginia.

Program Service

FAIR Girls, Inc.'s Programs consist of the following:

Case Management - Upon receiving a tip or call, a FAIR Girls, Inc. representative provides an immediate comprehensive trafficking assessment and initial trauma response. The FAIR Girls, Inc. clients receive personalized long-term assistance including counseling, education/career guidance, medical and mental health referrals, and legal support. Survivors are assigned to a case manager who helps the survivor to work on developing comprehensive goal plans for themselves. The case managers understand that each survivor has her own unique history, so they work hard to meet the girls' individual needs. With the help of the team, each girl works to rebuild her life and become fully free, aware, inspired, and restored ("FAIR").

Prevention Education - Through educating high-risk girls and boys about their rights and resources in the classroom, the FAIR Girls, Inc. curriculum both empowers and motivates students with the knowledge, communication skills, and community resources to keep themselves safe from exploitation and trafficking and to become peer educators who will "tell their friends," families, and communities how to do the same.

Vida Home – Vida Home is the only ninety-day transitional housing program/safe home that exclusively serves young women and female-identified survivors of sex trafficking and labor trafficking aged eighteen to twenty-six in the metro Washington, D.C. area. Up to 50 survivors walk through our Vida Home doors each year.

Policy and Advocacy - FAIR Girls, Inc. seeks to advocate for the legal protections and rights of the survivors. The priority is to improve the lives of these women and girl survivors as they are actually lived, rather than as they are typically viewed from the outside. With more than half of FAIR Girls, Inc. survivors, some as young as thirteen, having been misidentified and criminalized while in their trafficking situation, advocacy is critical to their recovery.

FAIR GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(continued)

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES - continued

Other programs – Our Drop-in Center program is uniquely designed for survivors of human trafficking. Through a series of practical life-skills workshops, participants develop skills in budgeting, job finding and retention, health and wellness, stress management, interpersonal communication and workforce development skills.

In the “Jewel Girls” program, which operated during a portion of the year ending September 30, 2018, participants came together each week to create unique jewelry while gaining access to therapy, new life skills, financial management skills, and pathways toward a future free of poverty and violence.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

FAIR Girls, Inc. prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligation is incurred.

Basis of Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit-Entities*. In accordance with the topic, FAIR Girls, Inc. is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of FAIR Girls, Inc. and changes therein, are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met by either action of FAIR Girls, Inc. and/or the passage of time. Temporarily restricted net assets total \$130,000 for the year ended September 30, 2018 and were all restricted for time purposes.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by FAIR Girls, Inc.

FAIR GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

FAIR Girls, Inc. considers demand deposits, money market funds and investments purchased with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At times, the accounts may exceed this limit; however, FAIR Girls, Inc. believes it is not exposed to any significant credit risk on cash or cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Amounts expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in the future are recorded at the present value of their estimated future cash flows. The discounts on promises to give are computed using a discount rate of 1.88%. Since there were no long-term promises to give as of September 30, 2018, no discount was computed.

Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes all receivables are fully collectible and no provision for allowance for doubtful accounts is deemed necessary.

Property and Equipment

Property and equipment are recorded at cost. Major additions, replacements, and betterments with costs of at least \$1,000 and lives greater than one year are capitalized, while repairs and maintenance are expensed. Depreciation and amortization expense for property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, which ranges from three to seven years.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period in which they are received. Grants are recognized as revenue in the period in which such promises or agreements are made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions received with donor restrictions are recorded as temporarily or permanently restricted revenue based on the donor's intent. Expirations of temporary restrictions are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Revenue from events is recognized in the period in which the event is held.

FAIR GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In-kind Revenue and Expense

FAIR Girls, Inc. records in-kind revenue and the related expense at fair value on the date of donation as provided by the donor or by reference to prevailing market rates for similar goods or services. During the year ended September 30, 2018, FAIR Girls, Inc. received donated goods and services for \$13,704, and donated legal services totaling \$242,521.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and support services that benefited from such costs.

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOTE C - INCOME TAXES

FAIR Girls, Inc. is a 501(c)(3) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. FAIR Girls, Inc. is, however, subject to tax on business income unrelated to its exempt purpose.

FAIR Girls, Inc. believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

FAIR Girls, Inc.'s information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. FAIR Girls, Inc.'s Form 990 information returns for the years 2014 through 2016, are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

FAIR GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(continued)

NOTE D – LEASE COMMITMENT

FAIR Girls, Inc. leases office space and a safe house in order to serve the needs of our survivor clients. The Organization entered into a lease for office space in March 2014, which was renewed for an additional two years ending May 31, 2018. The monthly rent for this space was \$2,060. This lease was terminated in January 2018 due to a breach in the confidential nature of the location.

For the period of September 2017 through July 2018, another space was leased on a month to month basis for a monthly rent of \$2,700.

The current office space lease began in June 2018. This is a two-year lease that expires May 31, 2020. Rent for this space is \$2,000 and is due monthly. There will be a 4% increase in the rent during the second year of this lease. The future minimum lease payments required under this operating lease are as follows for the years ending September 30:

2019	\$ 24,400
2020	<u>16,640</u>
	<u>\$ 41,040</u>

The current lease for the VIDA Home for the clients is for a one-year period effective March 2018 through February 2019, with a monthly rent of \$2,700, due monthly. The Future minimum lease payment required under this lease is \$13,500 for the year ended September 30, 2019.

Both the current leases have provisions that allow FAIR Girls to get out of the lease, with the penalty of one month's rent, if the confidentiality of the location becomes compromised and the safety of the clients is endangered. These provisions were added to the leases in the year ending September 30, 2018 as an added protection to the organization.

Rent expense for the year ended September 30, 2018 totaled \$66,569.

NOTE E - SUBSEQUENT EVENTS

In preparing these financial statements, FAIR Girls, Inc. has evaluated events and transactions for potential recognition or disclosure through February 14, 2019, the date the financial statements were available to be issued. There were no events or transactions that were discovered during the evaluation that required further recognition or disclosure.