



Girls Educational & Mentoring Services

FINANCIAL STATEMENTS

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girls Educational and Mentoring Services, Inc.
New York, New York

We have audited the accompanying financial statements of Girls Educational and Mentoring Services, Inc., which comprise the statement of financial position as of June 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girls Educational and Mentoring Services, Inc. as of June 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.

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Report on Summarized Comparative Information

We have previously audited Girls Educational and Mentoring Services, Inc.'s 2017 financial statements, and our report dated March 28, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
May 13, 2019

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018 with comparative totals for June 30, 2017

	2018	2017
ASSETS		
Cash	\$ 619,360	\$ 659,601
Government grants receivable	94,549	207,096
Unconditional promises to give - net	925,000	1,895,319
Other receivables	71,383	33,444
Prepaid expenses and other assets	92,392	91,461
Equipment and leasehold improvements - net	28,663	50,911
Total assets	\$ 1,831,347	\$ 2,937,832
LIABILITIES		
Accounts payable	\$ 112,841	\$ 29,012
Accrued expenses	77,166	89,762
Deferred revenue	9,700	-
Total liabilities	199,707	118,774
NET ASSETS		
Unrestricted (deficit)	(86,259)	254,565
Temporarily restricted	1,717,899	2,564,493
Total net assets	1,631,640	2,819,058
Total liabilities and net assets	\$ 1,831,347	\$ 2,937,832

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2018 with comparative totals for the year ended June 30, 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Government grants	\$ 654,855	\$ -	\$ 654,855	\$ 699,229
Contributions				
Foundation grants	765,052	239,681	1,004,733	3,132,880
Corporate contributions	121,709	-	121,709	163,765
Individual contributions	262,655	-	262,655	402,009
Charitable fund contributions	19,770	-	19,770	29,802
In-kind contributions	112,635	-	112,635	182,619
Program service revenue	134,126	-	134,126	106,697
Special events	396,713	-	396,713	445,729
Cost of direct benefits to donors	(67,452)	-	(67,452)	(46,060)
Merchandise sales	68,758	-	68,758	53,531
Cost of sales	(48,548)	-	(48,548)	(30,392)
Investment income	1,275	-	1,275	657
Miscellaneous	358	-	358	163
Total revenue	2,421,906	239,681	2,661,587	5,140,629
EXPENSES				
Program services	3,020,400	-	3,020,400	2,836,962
Management and general	498,744	-	498,744	695,736
Fundraising	329,861	-	329,861	351,509
Total expenses	3,849,005	-	3,849,005	3,884,207
Net assets released from restrictions	1,086,275	(1,086,275)	-	-
Change in net assets	(340,824)	(846,594)	(1,187,418)	1,256,422
Net assets at beginning of year	254,565	2,564,493	2,819,058	1,562,636
Net assets (deficit) at end of year	\$ (86,259)	\$ 1,717,899	\$ 1,631,640	\$ 2,819,058

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2018 with comparative totals for the year ended June 30, 2017

	2018			2017	
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
Personnel	\$ 1,854,265	\$ 245,051	\$ 227,008	\$ -	\$ 2,326,324
Member stipends and support	311,298	-	-	-	311,298
Occupancy	371,239	31,640	18,984	-	421,863
Professional fees	138,485	177,904	32,106	-	348,495
Travel and exhibits	265,683	5,712	5,292	-	276,687
Special events	-	-	32,822	67,452	100,274
Postage and printing	34,027	4,497	4,166	-	42,690
Office supplies	33,052	4,368	4,046	-	41,466
Depreciation and amortization	19,578	1,669	1,001	-	22,248
Equipment	13,498	1,150	690	-	15,338
Insurance	18,319	2,421	2,243	-	22,983
Bank fees and miscellaneous	9,504	18,524	1,503	-	29,531
Bad debt expense	-	5,808	-	-	5,808
Total expenses	3,068,948	498,744	329,861	67,452	3,965,005
Less expenses included in revenue on the statement of activities	-	-	-	-	-
Costs of direct benefits to donors	(48,548)	-	-	(67,452)	(67,452)
Cost of sales	-	-	-	-	(30,392)
Total expenses included in the expenses section of the statement of activities	\$ 3,020,400	\$ 498,744	\$ 329,861	\$ -	\$ 3,849,005
					\$ 3,884,207

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2018 with comparative totals for the year ended June 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,187,418)	\$ 1,256,422
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	22,248	27,187
Change in discount on unconditional promises to give	(29,681)	24,162
Bad debt expense	5,808	-
(Increase) decrease in assets		
Government grants receivable	112,547	(85,839)
Unconditional promises to give	1,000,000	(1,407,500)
Other receivables	(43,747)	(11,833)
Prepaid expenses and other assets	(931)	41,855
Increase (decrease) in liabilities		
Accounts payable	83,829	(5,025)
Accrued expenses	(12,596)	2,459
Deferred revenue	9,700	(4,000)
Net cash flows from operating activities	<u>(40,241)</u>	<u>(162,112)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>-</u>	<u>(1,360)</u>
Net change in cash	(40,241)	(163,472)
Cash at beginning of year	<u>659,601</u>	<u>823,073</u>
Cash at end of year	<u>\$ 619,360</u>	<u>\$ 659,601</u>

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 with comparative totals for June 30, 2017

An agency in operation for almost 20 years, Girls Educational and Mentoring Services (GEMS) is the first organization in New York State, and one of the largest in the nation, specifically designed to serve girls and young women who have experienced commercial sexual exploitation and domestic trafficking. GEMS' mission is to empower girls and young women, ages 12–24, who have experienced commercial sexual exploitation and domestic trafficking to exit the commercial sex industry and develop to their full potential. GEMS is committed to ending commercial sexual exploitation and domestic trafficking of children by changing individual lives, transforming public perception, and revolutionizing the systems and policies that impact sexually exploited youth. GEMS' founding principles reside in survivor leadership and transformational relationships.

In 2018, the GEMS Training and Technical Assistance Department trained over 1,145 participants from at least 23 agencies across New York, New Jersey, Connecticut, Philadelphia, Kentucky, California, and North Dakota. This included panel presentations, multi-hour trainings on Understanding Commercial Sexual Exploitation, our nationally acclaimed 3-day Train the Trainer course, and our 2-day Victim, Survivor, Leader (VSL TM) course. The GEMS team also provided Technical Assistance to 3 of those organizations. GEMS Prevention and Outreach department provides weekly workshops for youth in the city's detention facilities, (Crossroads and Horizons) and the Administration for Children Services' Children Center. The Outreach department provides preventive education, support and information to vulnerable youth and makes referrals to the GEMS Family Court department when appropriate. We provided outreach workshops for 86 youth, and reached an additional 220 youth at different high schools and youth conferences throughout the city.

Also in 2018, GEMS served 312 members through a variety of Support Services including individual and group counseling, holistic case management, participation in therapeutic, educational and recreational positive youth development programming, housing, medical and mental health treatment through our community partners, and educational and vocational support and tutoring. GEMS members come to the agency through an array of referral sources and established partnerships, but there are four primary program components that members are enrolled in according to referral source and need: Alternative to Incarceration, Family Court Advocacy, Transitional and Supportive Housing, and Holistic Case Management.

GEMS members also receive support through our Survivor Leadership Program, SISTA Mentoring, Educational Initiative, Pathways to Employment and Short-Term and Crisis Care in which a majority of our members participate. The focus of our work is grounded in Survivor Leadership and Transformational Relationships which help support GEMS girls and young women achieve the following outcomes: 1) become free from the commercial sex industry; 2) make improvements in their healing and trauma recovery; 3) increase their healthy social support; 4) make educational and vocational gains; and 5) increase their independent living skills.

As a survivor-led organization, GEMS empowers girls and young women who have experienced commercial sexual exploitation and domestic trafficking to overcome the complex web of contributing factors that perpetuate commercial sexual exploitation, including racism, poverty, gender-based violence, and the criminalization of youth. Through the individual success of GEMS' members, families break cycles of abuse, educated and empowered youth are equipped with the tools necessary to ascend from poverty, creating more equitable and just communities.

Since its inception, GEMS has empowered numerous girls and young women, continuing a legacy of survivor leadership and strength that is being passed from one group of girls to the next.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 with comparative totals for June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

GEMS reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by GEMS in perpetuity.

Grants and Other Receivables

Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If an account becomes uncollectible, it will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as contributions in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in more than one year are reported at the present value of their net realizable value using the risk-free interest rate applicable to the years in which the promises to give are to be received.

Equipment and Leasehold Improvements

Purchases of equipment and leasehold improvements are recorded at cost or, if donated, at their estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.

Deferred Revenue

Program service revenue is recognized based on contract delivery dates. Revenue received prior to the contract dates to which it applies is recorded as deferred revenue.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by GEMS.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 with comparative totals for June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Grants

Certain programs are funded in part by service contracts with various government agencies. Revenue from these contracts is based upon the actual cost of providing such services up to the maximum amount specified in the contracts. Costs are allocated to these programs in accordance with established procedures and are subject to audit by the government agencies.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction expires or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and supporting activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status

GEMS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with GEMS' financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Date of Management's Review

Management has evaluated subsequent events through May 13, 2019, the date which the financial statements were available to be issued.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 with comparative totals for June 30, 2017

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

GEMS maintains cash balances at two financial institutions located in New York, New York. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, GEMS' uninsured cash balances totaled approximately \$144,000 and \$234,000.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at June 30, 2018 and 2017 consist of the following:

	2018	2017
Receivable in less than one year	\$ 925,000	\$ 1,225,000
Receivable in more than one year	-	700,000
Unconditional promises to give	925,000	1,925,000
Less discount to net present value	-	(29,681)
Unconditional promises to give - net	\$ 925,000	\$ 1,895,319

Unconditional promises to give receivable in more than one year are discounted at an interest rate of 2.19%.

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at June 30, 2018 and 2017 consist of the following:

	2018	2017
Furniture and equipment	\$ 177,127	\$ 177,127
Leasehold improvements	54,102	54,102
Equipment and leasehold improvements	231,229	231,229
Less accumulated depreciation and amortization	(202,566)	(180,318)
Equipment and leasehold improvements - net	\$ 28,663	\$ 50,911

NOTE 5 – DONATED SERVICES

The fair value of donated legal services for the years ended June 30, 2018 and 2017 of \$100,000 and \$100,499 were reported as in-kind contributions in the statement of activities and were for management and general activities.

NOTE 6 – RETIREMENT PLAN

GEMS sponsors a defined contribution retirement plan where employees may contribute pre-tax dollars to a voluntary retirement account. Employees are eligible for inclusion to this plan upon the first day of employment. At this time, GEMS does not make any matching contributions.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 with comparative totals for June 30, 2017

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 were available for the following:

	2018	2017
Youth leadership	\$ 1,324,023	\$ 1,785,527
New Pathway Initiative	333,148	484,410
External services	15,728	15,728
South Bronx	10,000	25,000
Intervention/supportive service	-	38,369
Imani House	-	15,459
Time restricted	35,000	200,000
Temporarily restricted net assets	\$ 1,717,899	\$ 2,564,493

NOTE 8 – OPERATING LEASES

GEMS leases space for its offices and apartments for members needing temporary residence under operating leases that expire at various dates through June 2023. Rental expense for the years ended June 30, 2018 and 2017 was \$281,092 and \$271,648.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2018 are:

2019	\$ 281,650
2020	192,032
2021	88,912
2022	93,182
2023	39,303
	\$ 695,079

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Reimbursements from government grant related expenses and overhead applicable to programs are subject to audits by the government agencies, which may result in adjustments for disallowed costs. No determination has been made regarding the effect, if any, such audits could have on the financial statements.

Lawsuits and claims are filed against GEMS in the ordinary course of business. GEMS has one active case of pending litigation. Based on GEMS' consultation with external legal counsel, the outcome of many of these actions is not presently determinable. GEMS also has a comprehensive insurance policy. If a final judgment were entered in any action in excess of its insurance coverage, GEMS would be liable for the excess. It is the opinion of management that any resulting liability from these actions will not have a material adverse effect on the financial position or operating results.