



Girls Educational & Mentoring Services

FINANCIAL STATEMENTS

June 30, 2019

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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, 2019, 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, 2019, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Girls Educational and Mentoring Services, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Girls Educational and Mentoring Services, Inc.'s 2018 financial statements, and our report dated May 13, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wegner CPAs, LLP
New York, New York
July 9, 2020

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019 with comparative totals for June 30, 2018

	2019	2018
ASSETS		
Cash	\$ 574,221	\$ 619,360
Government grants receivable	347,158	94,549
Unconditional promises to give, net	642,000	925,000
Other receivables	22,319	71,383
Prepaid expenses and other assets	105,272	92,392
Equipment and leasehold improvements, net	14,447	28,663
Total assets	\$ 1,705,417	\$ 1,831,347
LIABILITIES		
Accounts payable	\$ 86,314	\$ 112,841
Accrued payroll	64,605	77,166
Grants payable	38,002	-
Deferred lease obligations	3,715	-
Deferred revenue	-	9,700
Total liabilities	192,636	199,707
NET ASSETS		
Without donor restrictions (deficit)	(251,425)	(86,259)
With donor restrictions	1,764,206	1,717,899
Total net assets	1,512,781	1,631,640
Total liabilities and net assets	\$ 1,705,417	\$ 1,831,347

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2019 with comparative totals for the year ended June 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES				
Government grants	\$ 736,869	\$ -	\$ 736,869	\$ 654,855
Contributions				
Foundation grants	535,557	1,057,000	1,592,557	1,004,733
Corporate contributions	67,777	-	67,777	121,709
Individual contributions	212,561	-	212,561	262,655
Charitable fund contributions	53,461	-	53,461	19,770
In-kind contributions	165,547	-	165,547	112,635
Program service revenue	82,192	-	82,192	134,126
Special events	347,653	-	347,653	396,713
Cost of direct benefits to donors	(135,248)	-	(135,248)	(67,452)
Merchandise sales	33,960	-	33,960	68,758
Cost of sales	(24,134)	-	(24,134)	(48,548)
Investment income	719	-	719	1,275
Miscellaneous	664	-	664	358
Total revenues	2,077,578	1,057,000	3,134,578	2,661,587
EXPENSES				
Program services	2,487,334	-	2,487,334	3,020,400
Management and general	476,522	-	476,522	498,744
Fundraising	289,581	-	289,581	329,861
Total expenses	3,253,437	-	3,253,437	3,849,005
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of purpose restrictions	710,693	(710,693)	-	-
Expiration of time restrictions	300,000	(300,000)	-	-
Change in net assets	(165,166)	46,307	(118,859)	(1,187,418)
Net assets (deficit) at beginning of year	(86,259)	1,717,899	1,631,640	2,819,058
Net assets (deficit) at end of year	\$ (251,425)	\$ 1,764,206	\$ 1,512,781	\$ 1,631,640

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019 with comparative totals for the year ended June 30, 2018

	2019				2018	
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Expenses	Total Expenses
Personnel	\$ 1,506,155	\$ 230,324	\$ 253,642	\$ -	\$ 1,990,121	\$ 2,326,324
Member stipends and support	295,495	-	-	-	295,495	313,005
Grants to other organizations	38,002	-	-	-	38,002	-
Occupancy	347,527	17,088	10,222	-	374,837	421,863
Professional fees	60,079	208,826	3,568	-	272,473	346,788
Travel and exhibits	190,719	3,082	1,246	-	195,047	276,687
Events	1,689	-	7,593	135,248	144,530	100,274
Office supplies	15,645	3,235	6,447	-	25,327	41,466
Insurance	13,024	4,413	2,275	-	19,712	22,983
Postage and printing	11,760	1,730	1,244	-	14,734	42,690
Depreciation and amortization	10,623	1,750	1,843	-	14,216	22,248
Equipment	7,091	416	405	-	7,912	15,338
Bank fees and miscellaneous	13,659	5,658	1,096	-	20,413	29,531
Bad debt expense	-	-	-	-	-	5,808
Total expenses	2,511,468	476,522	289,581	135,248	3,412,819	3,965,005
Less expenses included in revenues on the statement of activities						
Costs of direct benefits to donors	-	-	-	(135,248)	(135,248)	(67,452)
Cost of sales	(24,134)	-	-	-	(24,134)	(48,548)
Total expenses reported in the expenses section of the statement of activities	\$ 2,487,334	\$ 476,522	\$ 289,581	\$ -	\$ 3,253,437	\$ 3,849,005

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF CASH FLOWS

Year ended June 30, 2019 with comparative totals for the year ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (118,859)	\$ (1,187,418)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	14,216	22,248
Net change in discount on long-term promises to give	8,000	24,162
Bad debt expense	-	5,808
(Increase) decrease in assets		
Government grants receivable	(252,609)	112,547
Unconditional promises to give	275,000	946,157
Other receivables	49,064	(43,747)
Prepaid expenses and other assets	(12,880)	(931)
Increase (decrease) in liabilities		
Accounts payable	(26,527)	83,829
Accrued payroll	(12,561)	(12,596)
Grants payable	38,002	-
Deferred lease obligations	3,715	-
Deferred revenue	(9,700)	9,700
Net cash flows from operating activities	(45,139)	(40,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	4,000	-
Payments on loan payable	(4,000)	-
Net cash flows from financing activities	-	-
Net change in cash	(45,139)	(40,241)
Cash at beginning of year	619,360	659,601
Cash at end of year	\$ 574,221	\$ 619,360

See accompanying notes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 with comparative totals for June 30, 2018

Girls Educational and Mentoring Services (GEMS) was founded in 1998 in response to an overwhelming need for services for girls and young women who were experiencing commercial sexual exploitation and domestic trafficking, and whose specific needs were not being met by traditional social service agencies. Founded and led by a survivor of commercial sexual exploitation and trafficking, GEMS became the first organization in New York State designed to serve this population. From a one-woman kitchen table project, GEMS has become an internationally acclaimed organization and the leading provider of services to commercially sexually exploited and domestically trafficked girls and young women in the country. GEMS' mission is to empower girls and young women, ages 12-29, 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 by changing individual lives, transforming public perception, and revolutionizing the systems and policies that impact commercially sexually exploited youth. For over two decades, GEMS has supported and empowered thousands of girls and young women, with comprehensive, holistic services, in gaining independence, safety, education, employment and economic sustainability for themselves and their children. GEMS has also led the way in raising national consciousness of the issue, helped to create services across the country, shifted the field away from criminalization of victims through advocacy and legislative change, and created the survivor leadership movement that focuses on the strength and resiliency of survivors.

In 2019, GEMS provided direct services to over 303 girls, young women and non-binary youth through a comprehensive array 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 community partners, and educational and vocational support and tutoring.

GEMS members also receive support through the Survivor Leadership Program, SISTA Mentoring, Educational Initiative including the new College Prep program, Pathways to Employment program and Short-Term and Crisis Care. The focus of GEMS 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.

In addition to its direct services in NY, in 2011 GEMS also founded the national Survivor Leadership Institute (SLI) that currently supports hundreds of individuals across the country who identify as survivors of the commercial sex industry with professional development and peer support. The majority of Survivor Leadership Institute members also identify as survivors of trafficking. The annual Emerging Leaders Conference hosted by GEMS SLI program is the largest gathering of survivors in the country, in 2019 bringing together 125 survivors for 4 days of personal and professional development, training and community building.

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 and women to the next.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 with comparative totals for June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government Grants Receivable and Other Receivables

Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they 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 adjusted 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 and amortization is computed using the straight-line method over the estimated useful lives of the individual assets or term of the lease.

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.

Contributions

Contributions received are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

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.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 with comparative totals for June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Adoption of New Accounting Pronouncement

GEMS adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, office supplies, insurance, postage and printing, and depreciation and amortization, which are allocated on the basis of estimates of time and effort. All other expenses are allocated based upon the types of services performed and expenses incurred.

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, 2018, from which the summarized information was derived.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 with comparative totals for June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through July 9, 2020, the date which the financial statements were available to be issued.

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, 2019 and 2018, GEMS’ uninsured cash balances totaled approximately \$218,000 and \$144,000.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2019	2018
Receivable in less than one year	\$ 375,000	\$ 925,000
Receivable in more than one year	275,000	-
Unconditional promises to give	650,000	925,000
Less discount to net present value	(8,000)	-
Unconditional promises to give, net	\$ 642,000	\$ 925,000

Unconditional promises to give due in over one year are discounted at an effective rate of 3%.

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

	2019	2018
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	(216,782)	(202,566)
Equipment and leasehold improvements, net	\$ 14,447	\$ 28,663

NOTE 5 – DONATED SERVICES

The fair value of donated legal services for the years ended June 30, 2019 and 2018 of \$88,136 and \$34,346 are reported as in-kind contributions in the statement of activities and were for management and general activities.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 with comparative totals for June 30, 2018

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Youth leadership	\$ 867,072	\$ 1,324,023
New Pathway Initiative	230,610	333,148
Youth education	83,139	-
Training & TA	48,813	-
Imani House	7,572	-
External services	-	15,728
South Bronx	-	10,000
Time restricted	527,000	35,000
Net assets with donor restrictions	\$ 1,764,206	\$ 1,717,899

NOTE 7 – LIQUIDITY AND AVAILABILITY

The following represents GEMS' financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year because of contractual or donor-imposed restrictions. General expenditures are defined as all budgeted programmatic and operational expenses for the following year.

Cash	\$ 574,221
Government grants receivable	347,158
Unconditional promises to give, net	642,000
Other receivables	22,319
Financial assets, at year-end	1,585,698
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(1,764,206)
Add back amounts available for general expenditures within one year	527,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 348,492

GEMS' cash flows have seasonal variations during the year attributable to cash receipts for contributions received. GEMS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As a not-for-profit, donor-funded organization, GEMS regularly receives contributions from donors that are available to meet annual cash needs for general operating expenditures.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 with comparative totals for June 30, 2018

NOTE 8 – OPERATING LEASES

GEMS leases space for its administrative offices as well as apartments for members needing temporary residence pursuant to operating leases that expire on various dates through June 2023. Rental expense for the years ended June 30, 2019 and 2018 was \$281,785 and \$281,092.

Future annual minimum lease payments for the years ending as of June 30 are as follows:

2020	\$ 218,032
2021	166,912
2022	145,182
2023	<u>39,303</u>
	<u>\$ 569,429</u>

NOTE 9 – 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.

NOTE 10 – SUBSEQUENT EVENTS

The extent of the impact of COVID-19 on GEMS' operations will depend on certain developments, including the duration and spread of the outbreak, and impact on the GEMS employees, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the GEMS's operations are uncertain.