



## 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, 2017, 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, 2017, 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 2016 financial statements, and our report dated March 22, 2017, 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, 2016, 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  
March 28, 2018

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2017 with comparative totals for June 30, 2016

	2017	2016
<b>ASSETS</b>		
Cash	\$ 659,601	\$ 823,073
Government grants receivable	207,096	121,257
Unconditional promises to give - net	1,895,319	511,981
Other receivables	33,444	21,611
Prepaid expenses and other assets	91,461	133,316
Equipment and leasehold improvements - net	50,911	76,738
<b>Total assets</b>	<b>\$ 2,937,832</b>	<b>\$ 1,687,976</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 29,012	\$ 34,037
Accrued expenses	89,762	87,303
Refundable advances	-	4,000
<b>Total liabilities</b>	118,774	125,340
<b>NET ASSETS</b>		
Unrestricted	254,565	729,292
Temporarily restricted	2,564,493	833,344
<b>Total net assets</b>	2,819,058	1,562,636
<b>Total liabilities and net assets</b>	<b>\$ 2,937,832</b>	<b>\$ 1,687,976</b>

See accompanying notes.

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**

**STATEMENT OF ACTIVITIES**

Year ended June 30, 2017 with comparative totals for the year ended June 30, 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Government grants	\$ 699,229	\$ -	\$ 699,229	\$ 694,285
Contributions				
Foundation grants	662,561	2,470,319	3,132,880	2,021,146
Corporate contributions	163,765	-	163,765	163,025
Individual contributions	402,009	-	402,009	226,649
Charitable fund contributions	29,802	-	29,802	31,027
In-kind contributions	182,619	-	182,619	193,327
Program service revenue	106,697	-	106,697	157,657
Special events	445,729	-	445,729	372,542
Costs of direct benefits to donors	(46,060)	-	(46,060)	(52,404)
Merchandise sales	53,531	-	53,531	85,936
Cost of sales	(30,392)	-	(30,392)	(42,429)
Investment income	657	-	657	2,093
Miscellaneous	163	-	163	4,122
<b>Total support and revenue</b>	<b>2,670,310</b>	<b>2,470,319</b>	<b>5,140,629</b>	<b>3,856,976</b>
<b>EXPENSES</b>				
Program services	2,836,962	-	2,836,962	3,093,769
Supporting activities				
Management and general	695,736	-	695,736	703,508
Fundraising	351,509	-	351,509	246,970
<b>Total expenses</b>	<b>3,884,207</b>	<b>-</b>	<b>3,884,207</b>	<b>4,044,247</b>
Net assets released from restrictions	739,170	(739,170)	-	-
<b>Change in net assets</b>	<b>(474,727)</b>	<b>1,731,149</b>	<b>1,256,422</b>	<b>(187,271)</b>
Net assets - beginning of year	729,292	833,344	1,562,636	1,749,907
<b>Net assets - end of year</b>	<b>\$ 254,565</b>	<b>\$ 2,564,493</b>	<b>\$ 2,819,058</b>	<b>\$ 1,562,636</b>

See accompanying notes.

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

Year ended June 30, 2017 with comparative totals for the year ended June 30, 2016

	2017			2016	
	Program Services	Management and General	Fundraising	Costs of Direct Benefits to Donors	Total
Personnel	\$ 1,763,885	\$ 359,275	\$ 237,942	\$ -	\$ 2,361,102
Member stipends and support	312,272	-	-	-	312,272
Occupancy	347,970	40,178	35,156	-	423,304
Professional fees	115,352	248,310	21,871	-	385,533
Travel and exhibits	215,833	13,132	11,490	-	240,455
Events	1,200	-	31,059	46,060	78,319
Postage and printing	29,499	3,406	2,980	-	35,885
Office supplies	24,429	2,821	2,468	-	29,718
Depreciation	22,349	2,580	2,258	-	27,187
Equipment	13,950	1,619	1,410	-	16,979
Insurance	11,449	1,322	1,157	-	13,928
Miscellaneous	9,166	23,093	3,718	-	35,977
<b>Total expenses</b>	<b>2,867,354</b>	<b>695,736</b>	<b>351,509</b>	<b>46,060</b>	<b>3,960,659</b>
Costs of direct benefits to donors	-	-	-	(46,060)	(46,060)
Cost of sales	(30,392)	-	-	-	(30,392)
<b>Total expenses per statement of activities</b>	<b>\$ 2,836,962</b>	<b>\$ 695,736</b>	<b>\$ 351,509</b>	<b>\$ -</b>	<b>\$ 3,884,207</b>
					<b>\$ 4,044,247</b>

See accompanying notes.

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
Year ended June 30, 2017 with comparative totals for the year ended June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,256,422	\$ (187,271)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	27,187	28,620
Discount on unconditional promises to give	24,162	5,519
Bad debt expense	-	5,087
(Increase) decrease in assets		
Government grants receivable	(85,839)	38,535
Unconditional promises to give	(1,407,500)	263,500
Other receivables	(11,833)	11,020
Prepaid expenses and other assets	41,855	(11,186)
Increase (decrease) in liabilities		
Accounts payable	(5,025)	6,682
Accrued expenses	2,459	3,510
Grants payable	-	(49,351)
Refundable advances	(4,000)	(44,750)
<b>Net cash flows from operating activities</b>	<u>(162,112)</u>	<u>69,915</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	<u>(1,360)</u>	<u>(14,289)</u>
<b>Net change in cash</b>	(163,472)	55,626
Cash - beginning of year	<u>823,073</u>	<u>767,447</u>
<b>Cash - end of year</b>	<u><u>\$ 659,601</u></u>	<u><u>\$ 823,073</u></u>

See accompanying notes.

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 with comparative totals for June 30, 2016

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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 2017, 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 114 youth, and reached an additional 184 youth at different high schools and youth conferences throughout the city.

Also in 2017, GEMS served 360 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, 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 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, 2017 with comparative totals for June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**

GEMS is required to report 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 developed. 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 support 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. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected. Promises to give receivable in less than one year are recorded at their net realizable value and those due in more than one year are reported at the present value of their net realizable value, using risk-free interest rate applicable to the years in which the promises are to be received.

**Equipment and Leasehold Improvements**

Acquisitions of equipment and leasehold improvements in excess of \$1,000 are capitalized. Purchases of equipment and leasehold improvements are recorded at cost or if donated, recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

**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.

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 with comparative totals for June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Contributions**

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Donated Materials and Services**

Donated materials and services are recorded at their estimated fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

**Expense Allocation**

The costs of providing GEMS' program services and other activities have been summarized on a functional basis in the statement of activities and the 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 revenue 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, 2016, from which the summarized information was derived.

**Date of Management's Review**

Management has evaluated subsequent events through March 28, 2018, the date which the financial statements were available to be issued.

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 with comparative totals for June 30, 2016

**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, 2017 and 2016, GEMS' uninsured cash balances totaled approximately \$234,000 and \$198,000.

**NOTE 3—PROMISES TO GIVE**

Unconditional promises to give at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Receivable in less than one year	\$ 1,225,000	\$ 417,500
Receivable in one to five years	700,000	100,000
	1,925,000	517,500
Unconditional promises to give	1,925,000	517,500
Less discounts to net present value	(29,681)	(5,519)
	\$ 1,895,319	\$ 511,981
Unconditional promises to give - net		

Unconditional promises to give receivable in one to five years at June 30, 2017 and 2016 are discounted at an effective interest rate of 2.19% and 2.76%.

**NOTE 4—EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Furniture and equipment	\$ 177,127	\$ 175,767
Leasehold improvements	54,102	54,102
	231,229	229,869
Equipment and leasehold improvements	231,229	229,869
Less accumulated depreciation	(180,318)	(153,131)
	\$ 50,911	\$ 76,738
Equipment and leasehold improvements - net		

**NOTE 5—DONATED SERVICES**

The fair value of donated legal services for the years ended June 30, 2017 and 2016 of \$100,499 and \$118,767 were 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, 2017 with comparative totals for June 30, 2016

**NOTE 6—TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2017 and 2016 were available for the following:

	2017	2016
Youth leadership	\$ 1,785,527	\$ 284,007
Intervention/supportive service	38,369	31,628
External services	15,728	15,728
Imani House	15,459	-
South Bronx	25,000	-
New Pathway Initiative	484,410	-
Time restricted	200,000	501,981
Temporarily restricted net assets	\$ 2,564,493	\$ 833,344

**NOTE 7—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, 2017 and 2016 was \$271,648 and \$259,923.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2017 are:

2018	\$ 239,936
2019	247,548
2020	170,985
2021	88,912
2022	93,182
2023	39,303
Total	\$ 879,866

**NOTE 8—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.

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 with comparative totals for June 30, 2016

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**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 provide any matching contributions.

