

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC

FINANCIAL STATEMENTS

JUNE 30, 2006 and 2005

**LAWRENCE TAYLOR
CERTIFIED PUBLIC ACCOUNTANT**

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC
FINANCIAL STATEMENTS
FOR THE TWELVE PERIOD ENDED
JUNE 30, 2006 and 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girls Educational and Mentoring Services Inc

I have audited the accompanying consolidated statements of financial position of Girls Educational and Mentoring Services, Inc as of June 30, 2006 and 2005, and the related statements of activities and changes in net assets and cash flows for the twelve-month period then ended. These financial statements are the responsibility of the Girls Educational and Mentoring Services Inc. management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Girls Educational and Mentoring Services as of June 30, 2006 and 2005 and the changes in its net assets and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 9-10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New Rochelle, NY

March 21, 2007

A handwritten signature in black ink, appearing to read "Lawrence Taylor", written in a cursive style.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006 and 2005

ASSETS

	2006	2005
CURRENT ASSETS		
Cash	\$ 44,004	\$ 68,132
Grants Receivable	25,000	72,500
Prepaid Expenses	3,734	634
Deposits	15,500	-
Other Assets	1,094	862
	89,332	142,128
FIXED ASSETS		
Equipment and Furniture & Fixtures	29,738	29,738
Less: Accumulated Depreciation and Amortization	(21,884)	(16,850)
NET FIXED ASSETS	7,854	12,888
TOTAL ASSETS	\$ 97,186	\$ 155,016

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	7,119	10,774
Accrued Liabilities	12,995	-
Loans Payable	-	50,000
	20,114	60,774
NET ASSETS		
Unrestricted	77,072	94,242
TOTAL NET ASSETS	77,072	94,242
TOTAL LIABILITIES AND NET ASSETS	\$ 97,186	\$ 155,016

See accompanying notes and auditor's report.

LAWRENCE TAYLOR
CERTIFIED PUBLIC ACCOUNTANT

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT AND REVENUE	Unrestricted	Temporary Restricted	Total
Government Grants		142,347	142,347
Foundation Grants	296,000		296,000
Corporate Grants	13,000		13,000
Individual Contributions	192,525		192,525
Interest Income	206		206
Other Income	1,358		1,358
Net Assets Released From Restrictions	<u>142,347</u>	<u>(142,347)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>645,436</u>	 <u>-</u>	 <u>645,436</u>
 EXPENSES			
Programs	510,456		510,456
Management And General	102,361		102,361
Development	<u>49,789</u>		<u>49,789</u>
 TOTAL EXPENSES	 <u>662,606</u>	 <u>-</u>	 <u>662,606</u>
 CHANGE IN NET ASSETS	 (17,170)	 -	 (17,170)
 NET ASSETS - BEGINNING OF YEAR	 <u>94,242</u>	 <u>-</u>	 <u>94,242</u>
 NET ASSETS - END OF YEAR	 <u>\$ 77,072</u>	 <u>\$ -</u>	 <u>\$ 77,072</u>

See accompanying notes and auditor's report

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT AND REVENUE	Unrestricted	Temporary Restricted	Total
Foundation Grants	411,500	-	411,500
Individual Contributions	8,125	-	8,125
Fees	9,400	-	9,400
Other income	151	-	151
Net Assets Released From Restrictions	<u>107,145</u>	<u>(107,145)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>536,321</u>	 <u>(107,145)</u>	 <u>429,176</u>
 EXPENSES			
Programs	458,360	-	458,360
Management And General	80,460	-	80,460
Development	<u>14,311</u>	<u>-</u>	<u>14,311</u>
 TOTAL EXPENSES	 <u>553,131</u>	 <u>-</u>	 <u>553,131</u>
 CHANGE IN NET ASSETS	 (16,810)	 (107,145)	 (123,955)
Net asset adjustment	(44,750)	-	(44,750)
 NET ASSETS - BEGINNING OF YEAR	 <u>155,802</u>	 <u>107,145</u>	 <u>262,947</u>
 NET ASSETS - END OF YEAR	 <u>\$ 94,242</u>	 <u>\$ -</u>	 <u>\$ 94,242</u>

See accompanying notes and auditors report

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF CASH FLOWS
June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (17,170)	\$ (123,955)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	5,034	5,034
CHANGES IN ASSETS AND LIABILITIES		
Decrease in Grants Receivable	47,500	81,089
Decrease(Increase) in Prepaid Expenses	(3,100)	5,545
Increase in Deposits	(15,500)	-
Decrease in Accounts Payable	(3,655)	(8,600)
Increase in Accrued Liabilities	12,995	~
(Decrease) in Other Assets	(232)	(862)
TOTAL ADJUSTMENTS	43,042	82,206
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,872	(41,749)
CASH FLOWS PROVIDED(USED) IN) FINANCING ACTIVITIES		
Proceeds from Notes payable	-	50,000
Payment of Notes Payable	(50,000)	-
Adjustment in Net Assets	~	(44,750)
NET CASH PROVIDED BY(USED IN) INVESTING ACTI'	(50,000)	5,250
NET (DECREASE)/INCREASE IN CASH	(24,128)	(36,499)
CASH-BEGINNING OF YEAR	68,132	104,631
CASH- END OF YEAR	\$ 44,004	\$ 68,132
Supplement Cash Flow Disclosures		
Cash paid during the year for:		
Interest	\$ 1,066	\$ 1,000

See accompanying notes and auditor's report.

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED
JUNE 30, 2006 and 2005**

ORGANIZATION

Girls Educational and Mentoring Services, Inc (GEMS) is a non profit organization incorporated on December 4, 2000 to empower girls and young women, ages 12-21 years, who have experienced sexual exploitation and domestic trafficking to exit the commercial sex industry and to develop their full potential.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
BASIS OF PRESENTATION

Financial reporting for not-for-profit organizations require that resources be classified for accounting and reporting purposes into three categories of net assets according to externally imposed restrictions. Unrestricted net assets represent net assets that are not subject to any restrictions; temporarily restricted net assets represent net assets that are subject to time or purpose restrictions; and restricted net assets, which are subjected to permanent donor restrictions.

REVENUE RECOGNITION

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other 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 reported in the statement of activities as net assets released from restrictions.

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and furniture is stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

INCOME TAX

The organization is classified under Internal Revenue Service 501 (c) 3 and is exempt from federal, state, and local taxes.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED
JUNE 30, 2006 and 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

Management of the Corporation uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions could affect the reported amounts of assets and liabilities. The disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the reporting period could be affected also. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The corporation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The corporation has not experienced any losses in such accounts. The corporation believes it is not exposed to any significant credit risk on cash and cash equivalents.

PROGRAMS

GEMS provides a wide variety of direct service programs including comprehensive case management, court advocacy, transitional independent living, youth development programs, including weekly support groups, leadership, job readiness and youth employment programs. GEMS provides outreach into facilities and in the streets. GEMS provides training for professionals on the topic of commercial sexual exploitation of children. GEMS raises public awareness of issues of commercial exploitation through workshops, campaigns, public events and the media.

LEASES

The Organization signed non-cancelable operating lease commencing on February 1, 2007 for office space at 298 West 149th Street in Manhattan. The term of the lease is three years and it expires on January 31, 2010 and requires monthly rentals of \$3,500.

GEMS also has a two year lease for an apartment at the same address to provide emergency housing for its clients. The lease expires on April 30, 2007 and requires monthly payments of \$1,108

monthly payments of \$1,108

**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED
JUNE 30, 2006 and 2005**

LEASES cont'd

Office rental expense for the period ended June 30, 2006 was \$34,789. Client facilities rental expense was \$13,937

Future minimum lease commitments as of June 30, 2006 are detailed as follows:

For the fiscal year ended June 30,

2008	\$42,000
2009	42,000
2010	<u>24,500</u>
	\$108,500

GRANTS RECEIVABLE

Grants Receivable are detailed as follows:

	<u>2006</u>	<u>2005</u>
Robin Hood Foundation	-	\$72,500
Reebok	25,000	-
	<u>\$25,000</u>	<u>\$72,500</u>

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
June 30, 2006

	Program	General and Administrative	Development	Total
Directors' Salaries	\$ 55,900	\$ 9,100	\$ -	\$ 65,000
Other Salaries	259,129	51,826	34,550	345,505
Payroll Taxes	23,965	4,793	3,195	31,953
Fringe Benefits	48,398	9,680	6,452	64,530
Professional Fees	726	2,919	-	3,645
Crisis Housing	13,937	-	-	13,937
Client Supplies	5,067	-	-	5,067
Equipment Purchases	10,685	5,359	-	16,044
Office Supplies	7,014	1,169	167	8,350
Rent & Utilities	29,223	4,870	696	34,789
Telephone	10,135	1,689	241	12,065
Insurance	12,093	2,016	288	14,397
Staff Development	828	-	-	828
Travel	15,002	5,000	-	20,002
Postage and Delivery	1,073	178	26	1,277
Printing an Publication	1,602	267	38	1,907
Fees	2,811	469	67	3,347
Program Expenses	7,556	-	-	7,556
Fundraising	-	-	3,943	3,943
Administrative Expenses	-	1,076	-	1,076
Depreciation Expense	4,229	705	100	5,034
Interest Expense	-	1,065	-	1,065
Miscellaneous	1,083	180	26	1,289
TOTALS	<u>\$ 510,456</u>	<u>\$ 102,361</u>	<u>\$ 49,789</u>	<u>\$662,606</u>

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
June 30, 2005

	Program	General and Administrative	Development	Total
Directors' Salaries	\$ 48,731	\$ 9,746	\$ 6,497	\$ 64,974
Other Salaries	237,254	38,623	-	275,877
Payroll Taxes	20,103	4,021	2,680	26,804
Fringe Benefits	28,238	5,649	3,764	37,650
Professional Fees	750	3,000	-	3,750
Crisis Housing	21,598	-	-	21,598
Client Stipends	7,791	-	-	7,791
Youth Leadership	17,738	-	-	17,738
Office Supplies	4,479	746	107	5,332
Rent & Utilities	25,445	4,241	606	30,292
Telephone	9,489	1,581	226	11,296
Insurance	7,647	1,274	182	9,103
Staff Development	2,580	-	-	2,580
Travel	11,242	4,110	-	15,352
Postage and Delivery	723	121	17	861
Printing an Publication	1,215	202	29	1,446
Fees	2,234	372	53	2,660
Program Expenses	4,831	-	-	4,831
Administrative Expenses	-	5,728	-	5,728
Depreciation Expense	4,229	705	101	5,034
Miscellaneous	2,045	341	49	2,434
TOTALS	<u>\$ 458,360</u>	<u>\$ 80,460</u>	<u>\$ 14,311</u>	<u>\$ 553,131</u>

See accompanying notes and auditor's report