

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC

FINANCIAL STATEMENTS

JUNE 30, 2008 and 2007

LAWRENCE TAYLOR
CERTIFIED PUBLIC ACCOUNTANT

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC
FINANCIAL STATEMENTS
FOR THE TWELVE PERIOD ENDED
JUNE 30, 2008 and 2007

INDEX

	PAGE
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities And Changes in Net Assets	3-4
Statement of Cash Flows	5
Footnotes to the Financial Statements	6-9
Schedule of Functional Expenses	10

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girls Educational and Mentoring Services Inc

I have audited the accompanying statements of financial position of Girls Educational and Mentoring Services, Inc as of June 30, 2008 and 2007, 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, 2008 and 2007 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 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This schedule includes information for period ended June 30, 2007 that is presented for comparative purposes and was extracted from the financial statement of Girls Education and Mentoring Services Inc., Inc. for that year. 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
May 13, 2009



GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash	\$ 92,400	\$ 123,088
Grants Receivable	174,736	117,601
Prepaid Expenses	20,341	10,463
Deposits	23,775	15,500
Other Assets	5,343	-
	<u>316,595</u>	<u>266,652</u>
FIXED ASSETS		
Equipment and Furniture & Fixtures	82,826	45,258
Less: Accumulated Depreciation and Amortization	(37,217)	(28,872)
NET FIXED ASSETS	<u>45,609</u>	<u>16,386</u>
TOTAL ASSETS	\$ 362,204	\$ 283,038

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	35,910	30,321
Accrued Liabilities	7,376	6,500
Other Payables	2,472	-
	<u>45,758</u>	<u>36,821</u>
NET ASSETS		
Unrestricted	<u>316,446</u>	<u>246,217</u>
TOTAL NET ASSETS	316,446	246,217
TOTAL LIABILITIES AND NET ASSETS	\$ 362,204	\$ 283,038

See accompanying notes and auditor's report.

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT AND REVENUE	Unrestricted	Temporary Restricted	Total
Government Grants	\$ -	\$ 727,226	\$ 727,226
Foundation Grants	554,850	118,500	673,350
Corporate Grants	8,929	-	8,929
Program Services	36,766	-	36,766
Individual Contributions	70,410	-	70,410
Fundraising Revenues	54,208	-	54,208
Interest Income	804	-	804
Other Income	2,009	-	2,009
Net Assets Released From Restrictions	<u>845,726</u>	<u>(845,726)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>1,573,702</u>	 <u>-</u>	 <u>1,573,702</u>
 EXPENSES			
Program	1,149,516	-	1,149,516
Management and General	221,886	-	221,886
Fund Development	<u>132,071</u>	<u>-</u>	<u>132,071</u>
 TOTAL EXPENSES	 <u>1,503,473</u>	 <u>-</u>	 <u>1,503,473</u>
 CHANGE IN NET ASSETS	 70,229	 -	 70,229
 NET ASSETS - BEGINNING OF YEAR	 <u>246,217</u>	 <u>-</u>	 <u>246,217</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 316,446</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 316,446</u></u>

See accompanying notes and auditor's report

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT AND REVENUE	Unrestricted	Temporary Restricted	Total
Government Grants	\$ -	\$ 661,222	\$ 661,222
Foundation Grants	419,573	-	419,573
Corporate Grants	26,517	-	26,517
Individual Contributions	52,918	-	52,918
Interest Income	247	-	247
Other Income	7,772	-	7,772
Net Assets Released From Restrictions	<u>661,222</u>	<u>(661,222)</u>	
 TOTAL SUPPORT AND REVENUE	 <u>1,168,249</u>	 <u>-</u>	 <u>1,168,249</u>
 EXPENSES			
Program	738,856	-	738,856
Management And General	163,212	-	163,212
Fund Development	<u>97,036</u>	<u>-</u>	<u>97,036</u>
 TOTAL EXPENSES	 <u>999,104</u>	 <u>-</u>	 <u>999,104</u>
 CHANGE IN NET ASSETS	 169,145	 -	 169,145
 NET ASSETS - BEGINNING OF YEAR	 <u>77,072</u>	 <u>-</u>	 <u>77,072</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 246,217</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 246,217</u></u>

See accompanying notes and auditors report

GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF CASH FLOWS
June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 70,229	\$ 169,145
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	8,345	6,987
CHANGES IN ASSETS AND LIABILITIES		
(Increase) in Grants Receivable	(57,135)	(92,601)
(Increase) in Prepaid Expenses	(9,878)	(6,727)
Increase in Deposits	(8,275)	-
Increase in Other Assets	(5,343)	-
Increase in Accounts Payable	5,589	23,201
(Decrease)Increase in Accrued Liabilities	876	(6,495)
Increase in Other Payables	2,472	1,094
	<hr/>	<hr/>
TOTAL ADJUSTMENTS	(63,349)	(74,541)
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,880	94,604
	<hr/>	<hr/>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of Equipment	(37,568)	(15,520)
NET CASH (USED IN) INVESTING ACTIVITIES	(37,568)	(15,520)
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH	(30,688)	79,084
CASH-BEGINNING OF YEAR	123,088	44,004
	<hr/>	<hr/>
CASH- END OF YEAR	\$ 92,400	\$ 123,088
	<hr/> <hr/>	<hr/> <hr/>
Supplement Cash Flow Disclosures		
Cash paid during the year for:		
Interest paid	\$ -	-
	<hr/>	<hr/>

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, 2008 and 2007

ORGANIZATION

Girl Educational and Mentoring Services (GEMS) mission is to empower young women, ages 12-21 who have experienced 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 believe that all young women have great beauty and worth, and the potential for future success. The voice and experiences of young survivors are integral to the development and implementation of all GEMS' programming.

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) 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, 2008 and 2007

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 spectrum of continuous and comprehensive services to address young women's needs and to provide long-term, consistent support throughout young women's transitions and development. The service continuum begins with Prevention and Outreach, initially identifying victims and ensuring they are aware of service options. Outreach takes place on the street in known locations of prostitution, in detention and residential facilities, and through educational workshops for youth. The second stage of the continuum consists of Direct Intervention with sexually exploited young women and covers a vast range of services including GEMS Court Advocacy and Alternative to Incarceration/Detention programming, Supportive Service Program including mental health assessment, counseling, health care, psychiatric care, goal planning acquiring identification or benefits, assistance with educational needs, family intervention and assistance in obtaining employment. GEMS provides both Crisis Housing and Transitional Housing, (up to 18 months) for young women ages 16-21. GEMS Youth Development programming address young women's developmental, social and emotional needs through strengths based programming and a firm commitment to youth empowerment. This component includes recreational and therapeutic groups that meet daily, youth employment and job readiness, a new educational initiative which supports youth taking the next step in their education, and the innovative youth leadership program.³

GIRLS EDUCATIONAL AND MENTORING SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED
JUNE 30, 2008 and 2007

LEASES

GEMS signed non-cancelable operating lease commencing on February 1, 2007 for office space at 298B 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 signed a non-cancelable residential lease in May 2007 for an apartment at 298 West 149th St to provide emergency housing for its clients. The lease expires on April 30, 2009 and requires monthly payments of \$1,187

GEMS signed a residential lease for three apartments in the Bronx that is uses as client's facilities. The lease term runs from August 2006 to June 2008 and requires monthly rental payments of \$4,700.

GEMS signed a residential lease in June 2008 for one apartment in the Bronx. The lease term is three years and requires monthly rental payments of \$ 4,793 for the first year,

GEMS signed a five year operating lease for 1,500 square feet of space at 201 West 148th Street in 2007. The lease requires monthly payments of \$3,500

Rental expense for the period ended June 30, 2008 and 2007 was \$138,904 and \$107,423 respectively.

Future minimum lease commitments as of June 30, 2007 are detailed as follows:
For the fiscal year ended June 30,

2009	\$153,386
2010	125,166
2011	101,840
2012	<u>42,000</u>
	<u>\$422,392</u>

**GIRLS EDUCATIONAL AND MENTOR SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED
JUNE 30, 2008 and 2009**

GRANTS RECEIVABLE

Grants Receivable at June 30, 2008 and 2007 are detailed as follows:

	2008	2007
NYC Dept. of Youth and Community & Development	\$ 120,904	\$ 82,842
Office of Justice Programs	53,832	34,759
Total	<u>\$ 174,736</u>	<u>\$ 117,601</u>

GIRLS EDUCATIONAL AND MENTORING SERVICES INC.
SCHEDULE OF FUNCTIONAL EXPENSES
June 30, 2008
WITH COMPARATIVE TOTALS FOR 2007

	Program	Management & General	Fund Development	Total 2008	Total 2007
Salaries and Related Expenses	\$ 665,512	\$ 146,962	\$ 87,475	\$ 899,949	\$ 678,341
Occupancy	146,263	32,299	19,225	197,787	154,555
Program and Client Services	144,711	-	-	144,711	78,721
Professional Fees	108,643	23,991	14,280	146,914	44,573
Postage and Printing	8,859	1,956	1,164	11,979	5,587
Office Expenses	22,529	4,975	2,961	30,465	12,826
Travel	37,087	8,190	4,875	50,152	8,759
Equipment and maintenance	4,521	998	594	6,113	7,097
Other Expenses	11,391	2,515	1,497	15,403	8,645
Total Functional Expenses	\$1,149,516	\$ 221,886	\$ 132,071	\$1,503,473	\$ 999,104

See accompanying notes and auditors report