FINANCIAL STATEMENTS

June 30, 2016
C O N T E N T S

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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, 2016, 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, 2016, 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.
Report on Summarized Comparative Information

We have previously audited Girls Educational and Mentoring Services, Inc.’s 2015 financial statements, and our report dated April 11, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wegner CPAs, LLP
New York, New York
March 22, 2017
GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016 with comparative totals for June 30, 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 823,073</td>
<td>$ 767,447</td>
</tr>
<tr>
<td>Government grants receivable</td>
<td>121,257</td>
<td>159,792</td>
</tr>
<tr>
<td>Unconditional promises to give - net</td>
<td>511,981</td>
<td>781,000</td>
</tr>
<tr>
<td>Other receivables</td>
<td>21,611</td>
<td>37,718</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>133,316</td>
<td>122,130</td>
</tr>
<tr>
<td>Equipment and leasehold improvements - net</td>
<td>76,738</td>
<td>91,070</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 1,687,976</strong></td>
<td><strong>$ 1,959,157</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 34,037</td>
<td>$ 27,356</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>87,303</td>
<td>83,793</td>
</tr>
<tr>
<td>Grants payable</td>
<td>-</td>
<td>49,351</td>
</tr>
<tr>
<td>Refundable advances</td>
<td>4,000</td>
<td>48,750</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>125,340</strong></td>
<td><strong>209,250</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>729,292</td>
<td>887,496</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>833,344</td>
<td>862,411</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>1,562,636</strong></td>
<td><strong>1,749,907</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$ 1,687,976</strong></td>
<td><strong>$ 1,959,157</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.
## GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
### STATEMENT OF ACTIVITIES
Year ended June 30, 2016 with comparative totals for the year ended June 30, 2015

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUE</th>
<th>Unrestricted</th>
<th>Temporarily</th>
<th>Restricted</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grants</td>
<td>$694,285</td>
<td>$</td>
<td></td>
<td>$694,285</td>
<td>$815,650</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundation grants</td>
<td>$856,665</td>
<td>$1,164,481</td>
<td></td>
<td>$2,021,146</td>
<td>$2,446,946</td>
</tr>
<tr>
<td>Corporate contributions</td>
<td>$163,025</td>
<td></td>
<td></td>
<td>$163,025</td>
<td>$97,014</td>
</tr>
<tr>
<td>Individual contributions</td>
<td>$226,649</td>
<td></td>
<td></td>
<td>$226,649</td>
<td>$366,877</td>
</tr>
<tr>
<td>Charitable fund contributions</td>
<td>$31,027</td>
<td></td>
<td></td>
<td>$31,027</td>
<td>$12,184</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>$193,327</td>
<td></td>
<td></td>
<td>$193,327</td>
<td>$133,009</td>
</tr>
<tr>
<td>Program service revenue</td>
<td>$157,657</td>
<td></td>
<td></td>
<td>$157,657</td>
<td>$127,403</td>
</tr>
<tr>
<td>Special events</td>
<td>$372,542</td>
<td></td>
<td></td>
<td>$372,542</td>
<td>$193,256</td>
</tr>
<tr>
<td>Costs of direct benefits to donors</td>
<td>$(52,404)</td>
<td></td>
<td></td>
<td>$(52,404)</td>
<td>$(14,334)</td>
</tr>
<tr>
<td>Merchandise sales</td>
<td>$85,936</td>
<td>$</td>
<td></td>
<td>$85,936</td>
<td>$102,489</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>$(42,429)</td>
<td>$</td>
<td></td>
<td>$(42,429)</td>
<td>$(50,965)</td>
</tr>
<tr>
<td>Investment income</td>
<td>$2,093</td>
<td>$</td>
<td></td>
<td>$2,093</td>
<td>$840</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$4,122</td>
<td>$</td>
<td></td>
<td>$4,122</td>
<td>$544</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td><strong>2,692,495</strong></td>
<td><strong>1,164,481</strong></td>
<td><strong>3,856,976</strong></td>
<td><strong>4,230,913</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Unrestricted</th>
<th>Temporarily</th>
<th>Restricted</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$3,093,769</td>
<td>$</td>
<td></td>
<td>$3,093,769</td>
<td>$3,371,197</td>
</tr>
<tr>
<td>Supporting activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>$703,508</td>
<td>$</td>
<td></td>
<td>$703,508</td>
<td>$559,763</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$246,970</td>
<td>$</td>
<td></td>
<td>$246,970</td>
<td>$279,461</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>4,044,247</strong></td>
<td>**$           **</td>
<td><strong>3,856,976</strong></td>
<td><strong>4,210,421</strong></td>
<td></td>
</tr>
</tbody>
</table>

Net assets released from restrictions | $1,193,548 | $(1,193,548) | $            | $            |

### Change in net assets

<table>
<thead>
<tr>
<th>Net assets - beginning of year</th>
<th>Unrestricted</th>
<th>Temporarily</th>
<th>Restricted</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$887,496</td>
<td>$862,411</td>
<td></td>
<td>$1,749,907</td>
<td>$1,729,415</td>
</tr>
</tbody>
</table>

Net assets - end of year | $729,292 | $833,344 | $1,562,636 | $1,749,907 |

See accompanying notes.
**GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2016 with comparative totals for the year ended June 30, 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program Services</td>
<td>Management and General</td>
</tr>
<tr>
<td>Personnel</td>
<td>$ 1,963,351</td>
<td>$ 347,936</td>
</tr>
<tr>
<td>Direct program expenses</td>
<td>479,411</td>
<td>-</td>
</tr>
<tr>
<td>Occupancy</td>
<td>349,342</td>
<td>30,549</td>
</tr>
<tr>
<td>Professional fees</td>
<td>102,521</td>
<td>280,846</td>
</tr>
<tr>
<td>Travel and exhibits</td>
<td>125,704</td>
<td>2,271</td>
</tr>
<tr>
<td>Events</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Office supplies</td>
<td>29,602</td>
<td>2,589</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,845</td>
<td>32,411</td>
</tr>
<tr>
<td>Postage and printing</td>
<td>27,050</td>
<td>2,365</td>
</tr>
<tr>
<td>Depreciation</td>
<td>25,042</td>
<td>2,190</td>
</tr>
<tr>
<td>Equipment</td>
<td>15,269</td>
<td>1,121</td>
</tr>
<tr>
<td>Insurance</td>
<td>14,061</td>
<td>1,230</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>3,136,198</td>
<td>703,508</td>
</tr>
<tr>
<td>Less costs of direct benefits to donors</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less cost of sales</td>
<td>(42,429)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses per statement of activities</strong></td>
<td>$ 3,093,769</td>
<td>$ 703,508</td>
</tr>
</tbody>
</table>

See accompanying notes.
GIRLS EDUCATIONAL AND MENTORING SERVICES, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2016 with comparative totals for the year ended June 30, 2015

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$(187,271)</td>
<td>$ 20,492</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated leasehold improvements</td>
<td>-</td>
<td>$(36,102)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>28,620</td>
<td>23,874</td>
</tr>
<tr>
<td>Discount on unconditional promises to give</td>
<td>5,519</td>
<td>-</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>5,087</td>
<td>-</td>
</tr>
<tr>
<td>(Increase) decrease in assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants receivable</td>
<td>38,535</td>
<td>155,997</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>263,500</td>
<td>(236,150)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>11,020</td>
<td>(13,739)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(11,186)</td>
<td>16,269</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>6,681</td>
<td>5,416</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>3,510</td>
<td>14,688</td>
</tr>
<tr>
<td>Grants payable</td>
<td>(49,351)</td>
<td>49,351</td>
</tr>
<tr>
<td>Refundable advances</td>
<td>(44,750)</td>
<td>48,750</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>69,914</td>
<td>48,846</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of equipment and leasehold improvements</td>
<td>$(14,288)</td>
<td>$(5,875)</td>
</tr>
<tr>
<td><strong>Net change in cash</strong></td>
<td>55,626</td>
<td>42,971</td>
</tr>
<tr>
<td>Cash - beginning of year</td>
<td>767,447</td>
<td>724,476</td>
</tr>
<tr>
<td>Cash - end of year</td>
<td>$ 823,073</td>
<td>$ 767,447</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUPPLEMENTAL DISCLOSURES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncash investing and financing transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated leasehold improvements</td>
<td>$</td>
<td>$ 36,102</td>
</tr>
</tbody>
</table>

See accompanying notes.
An agency in operation for more than 17 years, and incorporated in 2000, 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.

GEMS’ Prevention and Outreach identifies victims and at-risk youth and ensures they are aware of service options in facilities throughout New York City and in nearby communities. In 2016, GEMS’ Outreach team reached more than 500 individuals through their outreach work at detention centers, facilities, colleges, and high schools throughout the New York City area.

In 2016, GEMS’ Training and Technical Assistance department trained 1,532 individuals from 86 agencies with the agency’s Commercial Sexual Exploitation of Children (CSEC) 101 curriculum and the agency’s survivor-created Victim, Survivor, Leader™ (VSL) model of empowerment curriculum. GEMS also provided 5 Technical Assistance workshops in 2016.

In 2016, GEMS served 411 members through a variety of Support Services including individual and group counseling, case management, peer support, participation in therapeutic, educational, and recreational positive youth development group programming, 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. The agency’s members may transition from one primary program within the organization to another at various times depending on their needs. There are also secondary program components, including Youth Development, Youth Leadership, SISTA Mentoring, Educational Initiative, and Short-Term and Crisis Care in which a majority of GEMS’ girls and young women participate. Members are offered an array of services, support and opportunities to help them 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.
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 revenues or gains 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.
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, 2015, from which the summarized information was derived.

Date of Management’s Review

Management has evaluated subsequent events through March 22, 2017, 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, 2016 and 2015, GEMS’ uninsured cash balances totaled approximately $198,000 and $335,000.

NOTE 3—PROMISES TO GIVE

Unconditional promises to give at June 30, 2016 and 2015 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable in less than one year</td>
<td>$317,500</td>
<td>$781,000</td>
</tr>
<tr>
<td>Receivable in one to five years</td>
<td>$200,000</td>
<td>-</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>517,500</td>
<td>781,000</td>
</tr>
<tr>
<td>Less discounts to net present value</td>
<td>(5,519)</td>
<td>-</td>
</tr>
<tr>
<td>Unconditional promises to give - net</td>
<td>$511,981</td>
<td>$781,000</td>
</tr>
</tbody>
</table>

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

NOTE 4—EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at June 30, 2016 and 2015 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$175,767</td>
<td>$163,229</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>54,102</td>
<td>52,352</td>
</tr>
<tr>
<td>Auto</td>
<td>-</td>
<td>2,208</td>
</tr>
<tr>
<td>Equipment and leasehold improvements</td>
<td>229,869</td>
<td>217,789</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(153,131)</td>
<td>(126,719)</td>
</tr>
<tr>
<td>Equipment and leasehold improvements - net</td>
<td>$76,738</td>
<td>$91,070</td>
</tr>
</tbody>
</table>

NOTE 5—DONATED SERVICES

The fair value of donated legal services for the years ended June 30, 2016 and 2015 of $118,767 and $29,272 were reported as in-kind contributions in the statement of activities and were for management and general activities.
NOTE 6—TEMPERARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 were available for the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth leadership</td>
<td>$284,007</td>
<td>$665,344</td>
</tr>
<tr>
<td>Intervention/supportive service</td>
<td>31,628</td>
<td>181,339</td>
</tr>
<tr>
<td>External services</td>
<td>15,728</td>
<td>15,728</td>
</tr>
<tr>
<td>Time restricted</td>
<td>501,981</td>
<td>-</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>$833,344</td>
<td>$862,411</td>
</tr>
</tbody>
</table>

NOTE 7—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 and GEMS does not provide any matching funds.

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 2020. Rental expense for the years ended June 30, 2016 and 2015 was $259,923 and $268,180.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2016 are:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$263,181</td>
<td>180,427</td>
<td>113,252</td>
<td>83,152</td>
<td>$640,012</td>
</tr>
</tbody>
</table>

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 two active cases 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.