

**THE NEXT STEP FUND, INC.**

**Financial Statements For The Years Ended  
March 31, 2020 and 2019  
And  
Independent Auditors' Report**

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**CONTENTS**

	<b>Page</b>
<b>Independent Auditors' Report on Financial Statements.....</b>	1-2
<b>Financial Statements:</b>	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows .....	7
Notes to Financial Statements.....	8-13



# McCarthy, Hargrave & Co.

Certified Public Accountants

## **Board of Directors**

**The Next Step Fund, Inc.**

Cambridge, Massachusetts

## **Independent Auditors' Report**

We have audited the accompanying statements of The Next Step Fund, Inc. (a not-for-profit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 The Next Step Fund, Inc. as of March 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

October 10, 2020

*McCarthy, Hargrave & Co.*

**THE NEXT STEP FUND, INC.**

**Statements of Financial Position**

	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 258,425	\$ 181,913
Pledges Receivable	109,500	106,250
<b>Total Current Assets</b>	367,925	288,163
<b>Noncurrent Pledges Receivable</b>	75,000	-
<b>Investments</b>	63,450	60,401
<b>Property and Equipment:</b>		
Equipment and Leashold Improvements	92,778	92,778
Accumulated Depreciation	(50,704)	(44,026)
<b>Total Property and Equipment</b>	42,074	48,752
<b>Total Assets</b>	<u>\$ 548,449</u>	<u>\$ 397,316</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Expenses	\$ 8,629	\$ 14,608
Deferred Income	30,000	38,750
<b>Total Liabilities</b>	38,629	53,358
<b>Net Assets:</b>		
Without Donor Restrictions	509,820	343,958
<b>Total Net Assets</b>	509,820	343,958
<b>Total Liabilities and Net Assets</b>	<u>\$ 548,449</u>	<u>\$ 397,316</u>

The accompanying notes are an integral part of the financial statements.

**THE NEXT STEP FUND, INC.**

**Statements of Activities**

	<b>For the Years Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenue and Support:</b>		
Grants and Contributions	\$ 489,503	\$ 309,951
Program Revenue	83,413	50,832
Special Events Revenue Less Expenses of \$ 112,822 and \$ 114,574 respectively	257,247	333,619
Realized and Unrealized Losses on Investments, Net Interest and Dividends	(845) 4,702	(3,808) 5,287
<b>Total Revenue and Support</b>	<b>834,020</b>	<b>695,881</b>
<b>Expenses:</b>		
Support and Educational Programs	495,696	488,299
Management and General	81,308	87,436
Fundraising	91,154	82,795
<b>Total Expenses</b>	<b>668,158</b>	<b>658,530</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>165,862</b>	<b>37,351</b>
<b>Unrestricted Net Assets at Beginning of Year Without Donor Restrictions</b>	<b>343,958</b>	<b>306,607</b>
<b>Unrestricted Net Assets at End of Year Without Donor Restrictions</b>	<b>\$ 509,820</b>	<b>\$ 343,958</b>

The accompanying notes are an integral part of the financial statements.

**THE NEXT STEP FUND, INC.**

**Statement of Functional Expenses**

**For The Year Ended March 31, 2020**

	<b>Support And Educational Programs</b>	<b>Management And General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and Wages	\$ 282,699	\$ 51,486	\$ 70,033	\$ 404,218
Consulting Staff	34,564		250	34,814
Program Facility Rental	52,149			52,149
Rent and Parking	31,053	3,441		34,494
Marketing	401	1,369	5,355	7,125
Travel and Meetings Expenses	31,377	1,375	516	33,268
Program Supplies	14,714			14,714
Office Supplies	1,882	1,270	8,814	11,966
Payroll Taxes	23,612	4,919	5,790	34,321
Employee Benefits	9,667	1,300		10,967
Professional Fees		10,700		10,700
Telephone and Postage	3,483	1,327	396	5,206
Depreciation	6,678			6,678
Liability Insurance	3,417	1,919		5,336
Payroll Service Fees		1,631		1,631
Miscellaneous		571		571
	<b>\$ 495,696</b>	<b>\$ 81,308</b>	<b>\$ 91,154</b>	<b>\$ 668,158</b>

The accompanying notes are an integral part of the financial statements.

**THE NEXT STEP FUND, INC.**

**Statement of Functional Expenses**

**For The Year Ended March 31, 2019**

	<b>Support And Educational Programs</b>	<b>Management And General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and Wages	\$ 259,756	\$ 54,571	\$ 67,317	\$ 381,644
Consulting Staff	37,714			37,714
Program Facility Rental	50,112			50,112
Rent and Parking	29,680	3,298		32,978
Marketing	542	1,439	4,210	6,191
Travel and Meetings Expenses	45,346	845	711	46,902
Program Supplies	14,708			14,708
Office Supplies	3,327	2,866	3,921	10,114
Payroll Taxes	21,052	4,771	5,482	31,305
Employee Benefits	8,340	1,300		9,640
Professional Fees		13,000	850	13,850
Telephone and Postage	4,456	1,671	304	6,431
Depreciation	9,455			9,455
Liability Insurance	3,811	2,093		5,904
Payroll Service Fees		1,012		1,012
Miscellaneous		570		570
	<b>\$ 488,299</b>	<b>\$ 87,436</b>	<b>\$ 82,795</b>	<b>\$ 658,530</b>

The accompanying notes are an integral part of the financial statements.



**THE NEXT STEP FUND, INC.**

**Statements of Cash Flows**

	<b>For The Years Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flow From Operating Activities:</b>		
Change in Net Assets	\$ 165,862	\$ 37,351
Adjustments To Reconcile The Change In Net Assets To Net Cash Provided by Operating Activities:		
Depreciation	6,678	9,455
Realized and Unrealized Losses on Investments, Net	845	3,808
Pledges Receivable	(78,250)	(39,408)
Accounts Payable and Accrued Expenses	(5,979)	(17,093)
Deferred Income	(8,750)	38,750
<b>Cash Flow Provided By Operating Activities</b>	<b>80,406</b>	<b>32,863</b>
<b>Cash Flow From Investing Activities:</b>		
Equipment and Leasehold Improvements Purchases	-	(1,300)
Purchases of Investments	(66,605)	-
Proceeds of Investments	62,711	47,033
<b>Cash Flow (Used) Provided By Investing Activities</b>	<b>(3,894)</b>	<b>45,733</b>
<b>Net Increase in Cash</b>	<b>76,512</b>	<b>78,596</b>
<b>Cash, Beginning of Year</b>	<b>181,913</b>	<b>103,317</b>
<b>Cash, End of Year</b>	<b>\$ 258,425</b>	<b>\$ 181,913</b>

The accompanying notes are an integral part of the financial statements.

## THE NEXT STEP FUND, INC.

### Notes To The Financial Statements

For The Years Ended March 31, 2020 and 2019

#### Organization:

The Next Step Fund, Inc. provides support and education programs for teenagers and young adults with chronic illnesses or history of childhood cancer. For teens and young adults with life threatening cancer, blood and genetic illnesses – who often don't get the support they need – Next Step is completely unique and effective at providing the tools for them to:

- Create community for themselves
- Get a new and optimistic outlook in a safe environment
- Learn skills that will allow them to move forward into a healthy and productive life

#### A. Summary of Significant Accounting Policies:

**Basis of Statements** - The financial statements have been prepared on the accrual basis. Under this method of accounting, expenses are recorded as incurred and income is recorded when earned.

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net Assets With Donor Restrictions** - Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Organization has no net assets with donor restrictions.

**Revenue Recognition** – Contributions are recognized on the accrual basis. Contributions recognized are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. The Organization did not have any donor restricted contributions for the years ended March 31, 2020 and 2019.

Program revenue which is under a state contract is recognized as allowable costs are incurred, special events revenue is recognized when the event occurs and interest and dividend income are recognized on the accrual basis. Security transactions are recognized when they occur.

**Use of Estimates** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**THE NEXT STEP FUND, INC.**

**Notes To The Financial Statements**

**For The Years Ended March 31, 2020 and 2019**

**(Continued)**

**A. Summary of Significant Accounting Policies (continued):**

**Income Taxes** – Donors may deduct contributions made within the Internal Revenue Code regulations. The Organization is exempt from income taxes under Internal Revenue Code Section 501 ( c )( 3 ). In addition, there are no unrecognized tax benefits and income tax returns remain subject to examination by major tax jurisdictions for the standard three-year statute of limitations.

**Investments** – Investments are recorded at fair value. Assets without donor restrictions are invested and held by Capitol Securities and Stifel, Nicolaus & Company, Incorporated.

**Fair Value Measurements** – Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**Level 1 Inputs** – Quoted prices for identical assets in active markets.

**Level 2 Inputs** – Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies. The Next Step Fund, Inc. does not have any Level 2 Inputs.

**Level 3 Inputs** – Unobservable inputs for where there is little, if any, market activity. The Next Step Fund, Inc. does not have any Level 3 Inputs.

The asset's or liability's fair value measure level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**New Accounting Pronouncement** – On May 28, 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts with Customers, and Related Amendments*. The update results in a new revenue recognition standard that eliminates the transaction and industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition for not-for-profit organizations, it was effective for annual reporting periods beginning after December 31, 2018. No changes to revenue recognized were necessary to conform to the new standard.

**THE NEXT STEP FUND, INC.**

**Notes To The Financial Statements**

**For The Years Ended March 31, 2020 and 2019**

(Continued)

**B. Investments:**

The following summarizes the cost and fair value of long-term investments:

	March 31, 2020		March 31, 2019	
	Cost	Fair Value	Cost	Fair Value
<b>Level I</b>				
Equity Mutual Funds	\$ -	\$ -	\$ 68,148	\$ 59,678
Money Market Funds	63,450	63,450	723	723
	\$ 63,450	\$ 63,450	\$ 68,871	\$ 60,401

The investments had no unrealized gains or losses as of March 31, 2020 and had unrealized losses of \$ 8,470 as of March 31, 2019.

**C. Availability and Liquidity:**

The following represents the Organization's financial assets:

	March 31, 2020	March 31, 2019
<b>Financial Assets At Year End:</b>		
Cash	\$ 258,425	\$ 181,913
Pledges Receivable	109,500	106,250
Investments	63,450	60,401
<b>Total Financial Assets</b>	\$ 431,375	\$ 348,564
<b>Less Amounts Not Available To Be Used Within One Year - Financial Assets Available to Meet General Expenditures Over The Next Twelve Months</b>	-	-
	\$ 431,375	\$ 348,564

The Organization has sufficient financial assets to fund its operating expenses. The Organization's goal is to maintain financial assets to meet sixty days of operating expenses (approximately \$ 110,000).

**D. Pledges Receivable:**

Pledges receivable represent unconditional promises to give by donors. Noncurrent pledge receivables will be collected in fiscal years 2021 and 2022. No allowance for collection of pledges was considered necessary.

**E. Deferred Income:**

The Organization records grants as deferred revenue until the services for those programs are provided, at which time the income is earned and is recognized as revenue.

**THE NEXT STEP FUND, INC.**

**Notes To The Financial Statements**

**For The Years Ended March 31, 2020 and 2019**

**(Continued)**

**F. Functional Allocation of Expenses:**

The costs of providing program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<b>Expense</b>	<b>Method of Allocation</b>
Salaries, payroll taxes and employee benefits	Time and effort
Rent and parking	Square footage
Professional fees	Full time equivalent
Travel and meeting expenses	Time and effort
Consulting staff	Specific identification
Program facility rental	Specific identification
Depreciation	Specific identification
Other	Time and effort

**G. Lease Agreement:**

The Organization leases office space for seminars and occupational and music therapy. The Organization is also responsible for its proportionate share of increases in operating expenses and has options to extend the lease until July 31, 2021. Rent expense for the years ended March 31, 2020 and 2019 was \$ 32,774 and \$ 31,178, respectively. Future minimum lease payments for fiscal 2021 are \$ 32,774 and for fiscal 2022 are \$ 11,876.

**H. Related Party Transaction:**

The Executive Director's sister provides music therapy services and event entertainment. For the years ended March 31, 2020 and 2019 the Organization paid this individual \$ 5,000 and \$ 4,600, respectively. As of March 31, 2020 and March 31, 2019 there was nothing owed to the key employee's sister.

A board member's son was paid \$ 8,400 and \$ 6,773 for the years ending March 31, 2020 and 2019, respectively for social media services provided. As of March 31, 2020 and March 31, 2019 there was nothing owed to the board member's son.

**I. Overall Risk to Operations:**

The duration and impact of COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear currently. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of activities of the Organization for future periods.

**THE NEXT STEP FUND, INC.**

**Notes To The Financial Statements**

**For The Years Ended March 31, 2020 and 2019**

**(Continued)**

**J. Recently Issued Accounting Pronouncements:**

The FASB issued Accounting Standards Update (ASU) 2016-02, *Leases and Related Amendments*. The new standard will require the Organization to recognize a “right to use asset” and related lease obligation on its statement of financial position for all operating leases with terms of more than twelve months. The FASB recently issued an exposure draft for non-public organizations to delay this standard for three years and to be effective for fiscal years beginning after December 15, 2021.

**K. Special Events Revenues and Expenses:**

	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Block Party Event</b>		
Revenues	\$ 62,727	\$ 80,073
Expenses	(28,750)	(29,481)
	<u>\$ 33,977</u>	<u>\$ 50,592</u>
<b>Fishers Island Golf Tournament</b>		
Revenues	\$ 235,809	\$ 283,850
Expenses	(69,259)	(68,636)
	<u>\$ 166,550</u>	<u>\$ 215,214</u>
<b>Other Smaller Events</b>		
Revenues	\$ 71,533	\$ 84,270
Expenses	(14,813)	(16,457)
	<u>\$ 56,720</u>	<u>\$ 67,813</u>
<b>Net Special Events Revenue</b>	<u>\$ 257,247</u>	<u>\$ 333,619</u>
<b>Total Revenues</b>	\$ 370,069	\$ 448,193
<b>Total Expenses</b>	(112,822)	(114,574)
<b>Net Special Events Revenue</b>	<u>\$ 257,247</u>	<u>\$ 333,619</u>

**THE NEXT STEP FUND, INC.**

**Notes To The Financial Statements**

**For The Years Ended March 31, 2020 and 2019**

**(Continued)**

**L. Defined Contribution Retirement Plan:**

The Organization has a 403(b) Plan for all eligible employees. Eligible employees can contribute to the Plan within IRS limits. The Organization does not make any matching contributions.

**M. Date Through Which Subsequent Events Have Been Evaluated:**

The Organization has evaluated all material subsequent events from the end of the fiscal year through October 10, 2020, the date the financial statements were available to be issued. No material subsequent events have occurred since March 31, 2020 that required recognition or disclosure in these financial statements.