

THE NEXT STEP FUND, INC.

**Financial Statements For The Years Ended
March 31, 2021 and 2020
And
Independent Auditors' Report**

THE NEXT STEP FUND, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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.

December 7, 2021

McCarthy, Hargrave & Co.

THE NEXT STEP FUND, INC.

Statements of Financial Position

For the Years Ended

	March 31,	
	2021	2020
Assets		
Current Assets:		
Cash	\$ 401,622	\$ 258,425
Pledges Receivable	144,000	109,500
Total Current Assets	545,622	367,925
Noncurrent Pledges Receivable	-	75,000
Investments	63,406	63,450
Property and Equipment:		
Equipment and Leashold Improvements	96,879	92,778
Accumulated Depreciation	(59,910)	(50,704)
Total Property and Equipment	36,969	42,074
Total Assets	\$ 645,997	\$ 548,449
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 9,907	\$ 8,629
Deferred Income	-	30,000
Paycheck Protection Program Loan, Current Portion	21,860	-
Total Current Liabilities	31,767	38,629
Non-Current Liabilities:		
Paycheck Protection Program Loan, Less Portion Due Within One Year	73,655	-
Net Assets:		
Without Donor Restrictions	510,575	509,820
With Donor Restrictions	30,000	-
Total Net Assets	540,575	509,820
Total Liabilities and Net Assets	\$ 645,997	\$ 548,449

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

THE NEXT STEP FUND, INC.

Statements of Activities

	For the Years Ended March 31,	
	2021	2020
Revenue and Support:		
Grants and Contributions	\$ 512,214	\$ 489,503
Program Revenue	75,688	83,413
Special Events Revenue Less Expenses of \$ 157,800 and \$ 112,822 respectively	9,396	257,247
Realized and Unrealized Losses on Investments, Net	-	(845)
Interest and Dividends	483	4,702
Miscellaneous Income	14,285	-
Total Revenue and Support	612,066	834,020
Expenses:		
Support and Educational Programs	502,015	495,696
Management and General	90,495	81,308
Fundraising	109,825	91,154
Total Expenses	702,335	668,158
Other Income		
Contributions with Donor Restrictions	30,000	-
Gain on Forgiveness of Paycheck Protection Program Loan	91,024	-
Change in Net Assets	30,755	165,862
Net Assets at Beginning of Year	509,820	343,958
Net Assets at End of Year	\$ 540,575	\$ 509,820

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, 2021

	Support And Educational Programs	Management And General	Fundraising	Total
Salaries and Wages	\$ 347,748	\$ 53,515	\$ 72,104	\$ 473,367
Consulting Staff	30,016			30,016
Program Facility Rental	3,450			3,450
Rent and Parking	19,652	2,199		21,851
Marketing		1,228	4,486	5,714
Travel and Meetings Expenses	3,454	133		3,587
Program Supplies	24,198			24,198
Office Supplies		1,168	2,104	3,272
Payroll Taxes	29,224	4,937	6,030	40,191
Employee Benefits	13,676	1,550	414	15,640
Professional Fees	3,600	10,000	15,020	28,620
Telephone and Postage	11,667	1,115	571	13,353
Depreciation		9,206		9,206
Liability Insurance	4,114	1,444		5,558
Payroll Service Fees		1,923		1,923
Interest Expense		847		847
Donations	10,778			10,778
Miscellaneous	438	1,230	9,096	10,764
	<u>\$ 502,015</u>	<u>\$ 90,495</u>	<u>\$ 109,825</u>	<u>\$ 702,335</u>

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

	Support And Educational Programs	Management And General	Fundraising	Total
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
	\$ 495,696	\$ 81,308	\$ 91,154	\$ 668,158

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

THE NEXT STEP FUND, INC.

Statements of Cash Flows

	For The Years Ended March 31,	
	2021	2020
Cash Flow From Operating Activities:		
Change in Net Assets	\$ 30,755	\$ -
Adjustments To Reconcile The Change In Net Assets To Net Cash		
Provided by Operating Activities:		
Gain on Forgiveness of Paycheck Protection Program Loan	(91,024)	-
Depreciation	9,206	6,678
Realized and Unrealized Losses on Investments, Net	-	845
Pledges Receivable	40,500	(78,250)
Accounts Payable and Accrued Expenses	1,278	(5,979)
Deferred Income	(30,000)	(8,750)
	(39,285)	(85,456)
Cash Flow (Used) Provided By Operating Activities		
Cash Flow From Investing Activities:		
Expenditures for Equipment	(4,101)	-
Purchases of Investments	-	(66,605)
Proceeds of Investments	44	62,711
Proceeds of Paycheck Protection Program Loans	186,539	-
	182,482	(3,894)
Cash Flow Provided (Used) By Investing Activities		
Net Increase in Cash	143,197	(89,350)
Cash, Beginning of Year	92,563	181,913
Cash, End of Year	\$ 235,760	\$ 92,563
Supplemental Schedule of NonCash Operating Activities-		
Interest Paid	\$ 847	\$ -

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, 2021 and 2020

Organization:

The Next Step Fund, Inc. provides support and educational 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 with donor restrictions 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.

Functional Allocation of Expenses - The expenses incurred to provide program services and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to program services and supporting services benefited. Salaries and wages and related payroll taxes and benefits are allocated on time and effort. Occupancy costs are allocated on square footage and the remaining expenses are allocated by specific identification.

Revenue and Revenue Recognition – Grants and 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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. The Organization received \$ 30,000 in donor restricted contributions in the year ended March 31, 2021.

Program revenue which is under a state contract is recognized as allowable costs are incurred and special events revenue is recognized when the event occurs.

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2021 and 2020

(Continued)

A. Summary of Significant Accounting Policies (continued):

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.

Income Taxes – The Next Step Fund, Inc. is organized as a Massachusetts nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Organization does not have any unrelated business income. We have determined that the Organization is not subject to unrelated business income tax and is not required to file an Exempt Organization Business Income Tax Returns.

Investments – Investments in money market funds are recorded at fair value based upon quoted prices in active markets. The investments are held by Raymond James.

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 has subsequently issued (ASU) 2020-05 for non-public organizations to delay this standard to be effective for fiscal years beginning after December 15, 2021.

B. Investments:

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

	March 31, 2021		March 31, 2020	
	Cost	Fair Value	Cost	Fair Value
Level I				
Money Market Funds	\$ 63,406	\$ 63,406	\$ 63,450	\$ 63,450
	\$ 63,406	\$ 63,406	\$ 63,450	\$ 63,450

The investments had no unrealized gains or losses as of March 31, 2021 and 2020.

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2021 and 2020

(Continued)

C. Availability and Liquidity:

The following represents the Organization's financial assets:

	March 31, 2021	March 31, 2020
Financial Assets At Year End:		
Cash	\$ 401,622	\$ 258,425
Pledges Receivable	\$ 144,000	109,500
Investments	63,406	63,450
Total Financial Assets	\$ 609,028	\$ 431,375
Less Amounts Not Available To Be Used Within One Year - Financial Assets Available to Meet General Expenditures Over The Next Twelve Months	-	-
	\$ 609,028	\$ 431,375

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 \$ 115,000).

D. Paycheck Protection Program Loan:

Paycheck Protection Program Loan consists of the following:

	2021	2020
Unsecured loan outstanding as part of the <i>Coronaviurs Aid, Relief and Economic Security Act (Cares Act)</i> Paycheck Protection Program (PPP).	\$ 95,515	\$ -
Less Current Portion	21,860	-
	\$ 73,655	\$ -

As of January 30, 2021, the Organization has an unsecured loan outstanding (loan #2) in the amount of \$ 95,515 due to Small Business Administration (SBA) and administered by a local bank, as part of the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* Paycheck Protection Program (PPP).

Under the terms of the note dated January 30, 2021, loan payments are deferred until the Organization receives notification from the SBA as to the amount of the loan forgiven. Thereafter, monthly payments are required, including interest at one percent per annum, which approximates the effective interest rate. The note is due on January 30, 2026.

The loan terms provide that a portion or all of the loan is forgivable to the extent that the Organization uses loan proceeds to fund qualifying payroll and other expenses during a designated 24-week period. The Organization has submitted to its lender and the SBA an application for forgiveness of \$ 95,515 of the loan balance.

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2021 and 2020

(Continued)

D. Paycheck Protection Program Loan (Continued):

On March 26, 2021, the Organization received notification from the SBA that the entire loan balance of the first Paycheck Protection Program Loan of \$ 90,177 has been forgiven. On the forgiveness date, the Organization removed the loan balance and related accounts, and recorded in other income on its statement of activities, a gain on extinguishment of debt in the amount of \$ 91,024, including \$ 847 of accrued interest.

A summary of the annual maturities of long-term debt for the five-years subsequent to 2021 follows:

Year	<u>Annual Principal Payments</u>
2022	\$ 21,860
2023	18,943
2024	19,133
2025	19,326
2026	<u>16,253</u>
	<u><u>\$ 95,515</u></u>

E. Pledges Receivable:

Pledges receivable represent unconditional promises to give by donors. No allowance for collection of pledges was considered necessary.

F. 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.

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 October 31, 2024. Rent expense for the years ended March 31, 2021 and 2020 was \$ 21,851 and \$ 32,774, respectively.

H. Related Party Transaction:

The Executive Director's sister provides music therapy services and event entertainment. For the years ended March 31, 2021 and 2020, the Organization paid this individual \$ 3,150 and \$ 5,000, respectively. As of March 31, 2021 and March 31, 2020, there was nothing owed to the key employee's sister.

A board member's son was paid \$ 11,038 and \$ 8,400 for the years ending March 31, 2021 and 2020, respectively, for social media services provided. As of March 31, 2021 and March 31, 2020, there was nothing owed to the board member's son.

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2021 and 2020

(Continued)

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. However, the Organization does not anticipate a material change in operations for fiscal year 2022.

J. Special Events Revenues and Expenses:

	March 31,	
	2021	2020
Block Party Event		
Revenues	\$ 7,500	\$ 62,727
Expenses	-	(28,750)
	\$ 7,500	\$ 33,977
Fishers Island Golf Tournament		
Revenues	\$ (29,697)	\$ 235,809
Expenses	(24,778)	(69,259)
	\$ (54,475)	\$ 166,550
The Country Club (TCC) Golf Tournament		
Revenues	\$ 125,000	\$ -
Expenses	(125,702)	-
	\$ (702)	\$ -
Other Smaller Events		
Revenues	\$ 64,393	\$ 71,533
Expenses	(7,320)	(14,813)
	\$ 57,073	\$ 56,720
Net Special Events Revenue	\$ 9,396	\$ 257,247
Total Revenues	\$ 167,196	\$ 370,069
Total Expenses	(157,800)	(112,822)
Net Special Events Revenue	\$ 9,396	\$ 257,247

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2021 and 2020

(Continued)

K. Changes in Net Assets With Temporary Donor Restrictions:

	For the Year Ended March 31,	
	2021	2020
Change in Net Assets with Temporary Donor Restrictions Beginning of the Year	\$ -	\$ -
Contributions	30,000	-
Change in Net Assets with Temporary Donor Restrictions End of the Year	\$ 30,000	\$ -

L. Net Assets with Donor Restrictions:

Net assets with donor restrictions were as follows:

	March 31, 2021	March 31, 2020
Post Covid Build Out For Leased Premises	\$ 20,000	\$ -
Youth Technology Fund	10,000	-
Total	\$ 30,000	\$ -

M. 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.

N. Date Through Which Subsequent Events Have Been Evaluated:

The Organization has evaluated all material subsequent events from the end of the fiscal year through December 7, 2021, the date the financial statements were available to be issued. No material subsequent events have occurred since March 31, 2021 that required recognition or disclosure in these financial statements.