

THE NEXT STEP FUND, INC.

**Financial Statements For The Years Ended
March 31, 2024 and 2023
And
Independent Auditors' Report**

THE NEXT STEP FUND, INC.
Financial Statements
For The Years Ended March 31, 2024 and 2023
And
Independent Auditors' Report

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McCarthy, Hargrave & Co.

Certified Public Accountants

Board of Directors

The Next Step Fund, Inc.

Cambridge, Massachusetts

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of The Next Step Fund, Inc. (a not-for-profit organization), which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Next Step Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Next Step Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Next Step Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Next Step Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

December 16, 2024

McCarthy, Hargrave & Co.

THE NEXT STEP FUND, INC.

Statements of Financial Position

	March 31,	
	2024	2023
Assets		
Current Assets:		
Cash	\$ 46,449	\$ 198,638
Certificates of Deposit	-	560,510
Pledges Receivable	100,000	175,000
Total Current Assets	146,449	934,148
Pledges Receivable - Non-Current	-	100,000
Investments	1,078,646	313,473
Property and Equipment:		
Equipment and Leashold Improvements	139,011	139,011
Accumulated Depreciation	(102,786)	(92,270)
Total Property and Equipment	36,225	46,741
Operating Lease Right-of Use Asset	161,645	204,360
Security Deposit	3,767	3,767
Total Assets	<u>\$ 1,426,732</u>	<u>\$ 1,602,489</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 9,356	\$ 9,400
Operating Lease Liability	43,295	42,714
Total Current Liabilities	52,651	52,114
Long-Term Liability:		
Operating Lease Liability	118,350	161,646
Total Liabilities	171,001	213,760
Net Assets:		
Without Donor Restrictions	1,255,731	1,362,062
With Donor Restrictions	-	26,667
Total Net Assets	1,255,731	1,388,729
Total Liabilities and Net Assets	<u>\$ 1,426,732</u>	<u>\$ 1,602,489</u>

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,	
	2024	2023
Revenue and Support:		
Grants and Contributions of Financial Assets	\$ 429,816	\$ 579,999
Program Revenue	93,902	87,663
Special Events Revenue Less Expenses of \$ 550,544 and \$ 153,247 respectively	302,451	506,492
Interest and Dividends	51,164	19,098
Employee Retention Tax Credit	-	80,235
Miscellaneous Income	-	5,002
Total Revenue and Support	877,333	1,278,489
Expenses:		
Support and Educational Programs	735,541	640,386
Management and General	117,020	133,991
Fundraising	157,771	133,826
Total Expenses	1,010,331	908,203
Other Income:		
Contributions of Financial Assets with Donor Restrictions	-	40,000
Change in Net Assets	(132,998)	410,286
Net Assets at Beginning of Year	1,388,729	978,443
Net Assets at End of Year	\$ 1,255,731	\$ 1,388,729

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, 2024

	Support And Educational Programs	Management And General	Fundraising	Total
Salaries and Wages	\$ 426,706	\$ 62,956	\$ 89,939	\$ 579,601
Consulting Staff	43,538	5,854	41,522	90,914
Program Facility Rental	39,312			39,312
 Rent, Parking and Utilities	 49,218	 6,136	 858	 56,212
Marketing	5,180		878	6,058
Travel and Meetings Expenses	82,503	2,132	2,646	87,281
 Program Supplies	 20,940			 20,940
Office Supplies		1,234	3,426	4,660
Payroll Taxes	37,702	4,644	7,643	49,989
 Employee Benefits	 16,118	 3,600	 279	 19,997
Professional Fees		11,300		11,300
Telephone and Postage	3,427	1,397	377	5,201
 Depreciation		 10,516		 10,516
Liability Insurance	3,531	1,118		4,649
Payroll Service Fees	300	3,105	41	3,446
 Fundraising Software		 103	 6,934	 7,037
Donations	5,280			5,280
Miscellaneous	1,785	2,925	3,228	7,938
	<u>\$ 735,540</u>	<u>\$ 117,020</u>	<u>\$ 157,771</u>	<u>\$ 1,010,331</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, 2023

	Support And Educational Programs	Management And General	Fundraising	Total
Salaries and Wages	\$ 366,648	\$ 65,323	\$ 101,369	\$ 533,340
Consulting Staff	32,155			32,155
Program Facility Rental	48,475			48,475
Rent, Parking and Utilities	47,587	6,118	654	54,359
Website Hosting & Maintenance			3,228	3,228
Marketing	3,132		601	3,733
Travel and Meetings Expenses	20,234	1,263	907	22,404
Program Supplies	34,723			34,723
Office Supplies	6,008	1,579	450	8,037
Payroll Taxes	31,178	5,354	8,511	45,043
Employee Benefits	10,914	1,387	189	12,490
Professional Fees	26,205	19,100	12,000	57,305
Telephone and Postage	3,797	634	542	4,973
Depreciation		24,759		24,759
Liability Insurance	5,545	2,010		7,555
Payroll Service Fees	259	2,743	58	3,060
Fundraising Software			4,846	4,846
Donations	2,560			2,560
Miscellaneous	966	3,721	471	5,158
	<u>\$ 640,386</u>	<u>\$ 133,991</u>	<u>\$ 133,826</u>	<u>\$ 908,203</u>

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,	
	2024	2023
Cash Flow From Operating Activities:		
Change in Net Assets	\$ (132,998)	\$ 410,286
Adjustments To Reconcile The Change In Net Assets To Net Cash		
Provided by Operating Activities:		
Depreciation	10,516	24,759
Pledges Receivable	175,000	25,500
Accounts Payable and Accrued Expenses	(44)	(7,735)
Cash Flow Provided By Operating Activities	52,474	452,810
Cash Flow From Investing Activities:		
Expenditures for Equipment	-	(14,243)
Redemptions (Purchases) of Certificates of Deposit	560,510	(560,510)
Purchases of Investments	(765,173)	(250,111)
Cash Flow Used By Investing Activities	(204,663)	(824,864)
Net Decrease in Cash	(152,189)	(372,054)
Cash, Beginning of Year	198,638	570,692
Cash, End of Year	\$ 46,449	\$ 198,638

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, 2024 and 2023

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. The Organization has no net assets with donor restrictions that are perpetual in nature.

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.

Property and Equipment – Property and equipment are recorded at cost, or if donated, at the fair market value at the date of receipt. Depreciation is provided using the straight-line method over the estimated useful asset lives which range from 3 to 15 years.

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.

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2024 and 2023

(Continued)

A. Summary of Significant Accounting Policies (continued):

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 did not receive any donor restricted contributions as of the year ended March 31, 2024 and received \$ 40,000 of donor restricted contributions as of the year ended March 31, 2023.

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.

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.

Pledge Receivables – Balance as of April 1, 2023 was \$ 275,000 and the balance as of April 1, 2022 was \$ 305,500.

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

Employee Retention Tax Credit – Laws and regulations concerning government programs, including the Employee Retention Tax Credit (ERTC) established by the Coronavirus Aid, Relief, and Economic Security CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claims to the ERTC, and it is not possible to determine the impact (if any) this would have upon the Organization. For the year ended March 31, 2023, the Organization received \$ 80,235 of ERTC.

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2024 and 2023

(Continued)

B. Investments:

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

	March 31, 2024		March 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Level I				
Money Market Funds	\$ 1,078,646	\$ 1,078,646	\$ 313,473	\$ 313,473
	<u>\$ 1,078,646</u>	<u>\$ 1,078,646</u>	<u>\$ 313,473</u>	<u>\$ 313,473</u>

The investments had no unrealized gains or losses as of March 31, 2024 and 2023.

C. Availability and Liquidity:

The following represents the Organization's financial assets:

	March 31, 2024	March 31, 2023
Financial Assets At Year End:		
Cash	\$ 46,449	\$ 198,638
Certificates of Deposit	-	560,510
Pledges Receivable	100,000	175,000
Investments	<u>1,078,646</u>	<u>313,473</u>
Total Financial Assets	<u>\$ 1,225,095</u>	<u>\$ 1,247,621</u>
Less Amounts Not Available To Be Used Within One Year -	<u>-</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures		
Over The Next Twelve Months	<u>\$ 1,225,095</u>	<u>\$ 1,247,621</u>

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 \$ 170,000).

D. Pledges Receivable:

Pledges receivable represent unconditional promises to give by donors. No allowance for collection of pledges was considered necessary. Also, pledges receivable were not discounted to present value because the discount amount was not material.

Pledges receivable will be received as follows:

2025	<u>\$ 100,000</u>
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THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2024 and 2023

(Continued)

E. Operating 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. As of October 29, 2021, the Organization signed a three year lease which commenced December 1, 2021. The Organization will extend the first three year option but is unsure about the second extension. The Organization has two options to extend the initial term and the second extension period by three years each.

The following summarizes the line items in the statements of financial position which include amounts for an operating lease as of March 31, 2024:

	<u>2024</u>	<u>2023</u>
Property & Equipment:		
Operating Lease Right-of Use Asset	<u>\$161,625</u>	<u>\$204,360</u>
 Current Liabilities:		
Operating Lease Liability	\$43,295	\$42,714
 Long-Term Liabilities:		
Operating Lease Liability	<u>118,350</u>	<u>161,646</u>
Total Operating Lease Liabilities	<u>\$161,645</u>	<u>\$204,360</u>

The following summarizes the weighted average remaining lease term and discount rate as of March 31:

	<u>2024</u>	<u>2023</u>
 Weighted Average Remaining Lease Term		
Operating Lease	3.66 years	4.66 years
 Weighted Average Discount Rate		
Operating Lease	1.35%	1.35%

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2024 and 2023

(Continued)

E. Operating Lease Agreement (continued):

The following summarizes the line items in the statements of activities which include the components of lease expense as of March 31:

	<u>2024</u>	<u>2023</u>
Operating lease expense included in rent and parking and utilities	<u>\$45,210</u>	<u>\$45,210</u>

The following summarizes cash flow information related to the operating lease for the year ended March 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	<u>\$42,715</u>	<u>\$42,142</u>
Lease asset obtained in exchange for lease obligation		
Operating lease	<u>(\$42,715)</u>	<u>(\$42,142)</u>

	<u>Future Minimum Lease Payments</u>
2025	\$ 45,210
2026	45,210
2027	45,210
2028	<u>30,142</u>
Total lease payments	\$ 165,772
Less: Interest	<u>(4,127)</u>
Present value of lease liabilities	<u>\$ 161,645</u>

F. Related Party Transaction:

The Executive Director's sister provides music therapy services and event entertainment. For the years ended March 31, 2024 and 2023, the Organization paid this individual \$ 3,750 and \$ 3,810, respectively. The Executive Director's daughter also was a program consultant for the year ended March 31, 2024, the Organization paid this individual \$ 3,074 for the year ended March 31, 2024. As of March 31, 2024 and March 31, 2023, there was nothing owed to the key employee's sister or daughter.

A Board member's son was paid \$ 11,757 and \$ 11,229 for the years ending March 31, 2024 and 2023, respectively, for social media services provided. As of March 31, 2024 and March 31, 2023, 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, 2024 and 2023

(Continued)

G. Special Events Revenues and Expenses:

	March 31,	
	2024	2023
Spring Golf Tournament		
Revenues	\$ 199,960	\$ 324,500
Expenses	(138,721)	(62,187)
	<u>\$ 61,239</u>	<u>\$ 262,313</u>
Fishers Island Golf Tournament		
Revenues	\$ 242,900	\$ 248,236
Expenses	(90,601)	(79,075)
	<u>\$ 152,299</u>	<u>\$ 169,161</u>
Falmouth Road Race		
Revenues	\$ 63,596	\$ 52,065
Expenses	(11,738)	(9,876)
	<u>\$ 51,858</u>	<u>\$ 42,189</u>
Boston Marathon		
Revenues	\$ 42,041	\$ 26,648
Expenses	(3,339)	(942)
	<u>\$ 38,702</u>	<u>\$ 25,706</u>
Other Smaller Events		
Revenues	\$ 2,047	\$ 8,290
Expenses	(3,694)	(1,167)
	<u>\$ (1,647)</u>	<u>\$ 7,123</u>
Net Special Events Revenue	<u>\$ 302,451</u>	<u>\$ 506,492</u>
Total Revenues	\$ 550,544	\$ 659,739
Total Expenses	<u>(248,093)</u>	<u>(153,247)</u>
Net Special Events Revenue	<u>\$ 302,451</u>	<u>\$ 506,492</u>

THE NEXT STEP FUND, INC.

Notes To The Financial Statements

For The Years Ended March 31, 2024 and 2023

(Continued)

H. Changes in Net Assets With Temporary Donor Restrictions:

	For the Year Ended March 31,	
	2024	2023
Net Assets with Temporary Donor Restrictions		
Beginning of the Year	\$ 26,667	\$ 29,279
Contributions	-	40,000
Release from Restrictions	(26,667)	(42,612)
Net Assets with Temporary Donor Restrictions		
End of the Year	\$ -	\$ 26,667

I. Net Assets with Donor Restrictions:

Net assets with donor restrictions were as follows:

	March 31,	March 31,
	2024	2023
Programmatic Support	\$ -	\$ 26,667

J. 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.

K. 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 16, 2024, the date the financial statements were available to be issued. No material subsequent events have occurred since March 31, 2024 that required recognition or disclosure in these financial statements.