FOOTSTEPS, INC.

Financial Statements
For the Year Ended September 30, 2017,
Independent Auditors' Report

FOOTSTEPS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Footsteps, Inc.

We have audited the accompanying financial statements of Footsteps, Inc., (a New York nonprofit corporation), which comprise the statement of financial position as of September 30, 2017, and the related statement 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page six is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Footsteps, Inc., as of September 30, 2017, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pullari Carino LLC

Fairfield, New Jersey
August 6, 2018

FOOTSTEPS, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017

		Total
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	547,108
Unconditional promises to give, net		482,375
Prepaid expenses		13,666
Total current assets		1,043,149
LONG TERM UNCONDITIONAL PROMISES TO GIVE, NET		338,199
TOTAL ASSETS	$	1,381,348
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$	55,515
Accrued expenses		12,000
TOTAL LIABILITIES		67,515
NET ASSETS:		
Unrestricted net assets		458,134
Temporarily restricted net assets		855,699
TOTAL NET ASSETS		1,313,833
TOTAL LIABILITIES AND NET ASSETS	$	1,381,348

FOOTSTEPS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
PUBLIC SUPPORT AND REVENUES:			
Public support:			
Contributions	$ 1,028,649	$ 1,186,328	$ 2,214,977
Special event revenue	85,907	-	85,907
Non-cash donations	8,991	-	8,991
Total public support	1,123,547	1,186,328	2,309,875
Revenues:			
Fee for service	20,155	-	20,155
Membership	2,088	-	2,088
Total revenues	22,243	-	22,243
Net assets released from restrictions			
Satisfaction of purpose restrictions	721,629	(721,629)	-
			-
Total public support and revenues	1,867,419	464,699	2,332,118
EXPENSES AND LOSSES:			
Program services:			
Counseling and Support	$ 817,143	-	817,143
Education	598,194	-	598,194
Total program services	1,415,337	-	1,415,337
Supporting services:			
Management and general	133,491	-	133,491
Fundraising	179,516	-	179,516
Total supporting services	313,007	-	313,007
Total expenses and losses	1,728,344	-	1,728,344
Changes in net assets before non-operating income	139,075	464,699	603,774
NON-OPERATING INCOME			
Investment income	429	-	429
CHANGE IN NET ASSETS	139,504	464,699	604,203
NET ASSETS, BEGINNING OF YEAR	334,848	391,000	725,848
PRIOR PERIOD ADJUSTMENT	(16,218)	-	(16,218)
NET ASSETS, END OF YEAR	$ 458,134	$ 855,699	$ 1,313,833

FOOTSTEPS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Total
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 604,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Prior period adjustments	(16,218)
Disposal of long lived assets	40,173
(Increase) decrease in operating assets	
Unconditional promises to give, net	(474,074)
Prepaid expenses	(7,614)
Increase (decrease) in operating liabilities	
Accounts payable	(13,960)
Accrued expenses	12,000
Net cash provided by operating activities	144,510
INCREASE IN CASH AND CASH EQUIVALENTS	144,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	402,598
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 547,108

1. NATURE OF ACTIVITIES

Footsteps, Inc., a New York nonprofit corporation (the "Organization") was established in 2003 as a 501(c)(3) Organization. The Organization supports and affirms individuals and families who have left, or are contemplating leaving, insular ultra-Orthodox Jewish communities in their quest to lead self-determined lives by offering the following programs:

Counseling and Support

Identity Development supports members through peer support groups, one-to-one supportive counseling, acculturation workshops, and referrals to mental health services.

Community Engagement builds the strength of our network to ensure that members have friends and allies along their journey. Highlights include: social events, community building activities, leadership development, and awareness raising.

Family Supports are geared towards parents fighting for the right to a relationship with their children as they leave ultra-Orthodoxy. Program activities include: case management, peer support drop-in groups and workshops, and partnerships with lawyers and legal groups to provide legal consultation and representation.

Education

Economic Empowerment supports members' economic self-sufficiency through education, career and financial counseling programs, workshops and partnerships with trusted organizations. Educational scholarships, crisis supports, tutoring and mentoring are also offered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting --- The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly revenues are recognized when received and expenses are recognized when incurred.

Basis of presentation --- The Organization presents its financial statements using guidance provided by the American Institute of Certified Public Accountants' Audit & Accounting Guide for *Not-for-Profit Entities.* The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) in preparing and presenting their financial statements.

ASC Paragraphs 958-205-45-2(a) through (d) establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of presentation (cont.) --- ASC Paragraphs 958-605-45-3 through 7, Contributions Received, requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

Accordingly, net assets of the Organization and changes therein would be classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. This represents the portion of expendable funds available to support the Organization's programs and activities.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. 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.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions stipulate that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Fair value hierarchy of financial instruments --- The Organization measures fair value of its assets and liabilities as defined by FASB ASC Topic 820, *Fair Value Measurement and Disclosure*. This ASC Topic defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The three fair value hierarchy levels are defined as follows:

Level 1 – Inputs are quotes prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;

Level 3 – Inputs are unobservable inputs for the assets and liabilities. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair value hierarchy of financial instruments (cont.) --- Unless otherwise noted, the fair values of financial instruments approximate their carrying values. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of September 30, 2017, none of the Organization's assets and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, accounts receivable, accounts payable, and accrued expenses, approximate fair values due to the short term nature of these financial instruments. There are no changes in methods or assumptions during the year ended September 30, 2017.

Cash and cash equivalents ---The Organization considers all restricted and unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Unconditional promises to give, revenue recognition --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates consistent with unsecured individual credit rates applicable to the years in which the promises to give are to be received. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

The Organization accounts for fundraising in the statement of activities to the extent that expenses have been incurred for the purpose specified by the customer during the period. Additionally, funds obtained or promised for a future event held in a subsequent period are accounted for as deferred revenue in the statement of financial position so long as management determines that the condition for which the funds were received will be met.

Revenue derived from board member and membership dues are considered exchange transactions and are recognized over the period to which the dues relate.

Fees for service paid in advance of programs offered by the Organization are recognized as contributions as the expenses of those programs generally outweigh the anticipated revenues.

The Organization accounts for grant revenue in the statements of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as a guideline.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property and equipment --- Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation is provided based upon the actual number of months in use during the year the costs are capitalized. The Organization's policy is to capitalize fixed assets with a purchase price of $5,000 or more and a useful life of one year or more. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities. Major renewal and improvements are capitalized.

Asset Class	Years
Equipment	3-7
Leasehold improvements	5-40
Furniture and fixtures	5
Technology	3

Impairment of long-lived assets --- The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of ASC 360-10-05, *Impairment or Disposals of Long-Lived Assets.*

Donated goods and services --- Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but most of these services do not meet the criteria for recognition under U.S. generally accepted accounting principles. The Organization accounts for any professional services donated in its statement of activities as a separate line item.

Income taxes --- The Organization is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code ("I.R.C.") and is therefore exempt from federal income taxes under Section 501(a) of the I.R.C. The Organization is also exempt under N.Y. Tax Law Section 1116: Exempt Organizations. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements. Management has filed all required tax returns and all taxes have been paid.

The Organization adheres to FASB ASC Topic 740, *Income Taxes,* which prescribes guidance and clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provided guidance on de-recognition, classification, interest and penalties, disclosure and transition. For the year ended September 30, 2017, the Organization had no material uncertain tax provisions to be accounted for in the financial statements.

Annually the Organization files income tax returns with the Internal Revenue Service and New York State. Tax filings and are open for examination for a general period of three years. As such, the Organization's filings are subject to inspections for tax years beginning September 30, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Functional allocation of expenses --- Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to programs based on units of service and support costs are allocated to programs based on time spent. Program expenses are those related to counseling and support and education. Management and general and fundraising expenses include direct costs of the operation of the program and special events based on allocation methods considered by management to be reasonable.

Advertising --- The Organization expenses production costs of advertising the first time the advertising takes place. Total advertising for the year ended September 30, 2017 amounted to $6,510.

Use of estimates --- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events --- Management has evaluated subsequent events through August 6, 2018, the date on which the financial statements were available to be issued and have determined that there are no subsequent events that require disclosure.

3. CONCENTRATIONS OF CREDIT RISK

Arising from cash deposits in excess of insured limits --- The Organization maintains cash balances at one financial institution located in New York. During the year, cash balances may exceed federally insured limits of $250,000. Management believes that the Organization has no significant risk of loss on these amounts due to the failure of the institutions.

4. PROMISES TO GIVE

Total unconditional promises to give consist of the following at September 30, 2017:

Temporarily restricted promises:	
Time restricted:	
Non-purpose restricted	$ 300,000
Economic Empowerment	
- Scholarships	515,000
Community Engagement	
- Moishe House Partnership	47,375
Gross unconditional promises to give	862,375
Less: Discount for long-term pledges	41,801
Allowance on uncollectible pledges	-
Net unconditional promises to give	$ 820,574

4. PROMISES TO GIVE (CONT.)

Amounts due in:		
Less than one year	$	482,375
One to five years		338,199
Total	$	820,574

For the year ended September 30, 2017, there were no conditional promises to give.

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and discount rates of approximately 4% to 7% for the year ending September 30, 2017. Annually management adjusts risk free interest rates based on the Organization's level of risk in order to assess the discount applied.

5. PROPERTY AND EQUIPMENT

During the year ended September 30, 2017, the Organization performed a review of long lived assets of property and equipment. Management determined that since their physical office move on November 1, 2014 occurred, all leasehold improvements, equipment and furniture that was being depreciated was no longer in service. As such, a prior period adjustment to net assets was made to remove these items from the books, which is further detailed in Note 10.

6. DONATED GOODS AND SERVICES

For the year ended September 30, 2017, non-cash donations of legal and accounting services for both program and administrative purposes amounted to $8,991 and are recorded as professional service expenses accordingly.

7. COMMITMENTS

The Organization has a lease agreement for space for its program and administration in New York, New York. The lease agreement commenced on October 1, 2014 with a term of ten years. Rent expense during the year amounted to approximately $106,000.

In coordination with the aforementioned lease, the Organization sublets conference room space in an adjacent building for its meetings and other program activities. This lease commenced on October 1, 2015 and does not contain a termination date. Management anticipates utilizing this space through the date of its operations lease through September 30, 2025, however per the agreement, can terminate at any time. Future payments on this lease are not contained in the table below. Rent expense during the year amounted to approximately $5,000. As specified in the lease agreement, from time to time the Organization pays an overtime usage fee on space utilized outside of the contracted times. These costs vary during the year due to the Organization's need.

The Organization leases a water cooler for all personnel and clients visiting the office. There is a five year agreement on the cooler, which commenced on October 1, 2016 and terminates on September 30, 2021. Rent expense during the year amounted to approximately $900.

7. COMMITMENTS (CONT.)

Future minimum lease payments are as follows at September 30, 2017:

2018	$ 114,128
2019	117,110
2020	121,673
2021	129,363
2022	131,923
Thereafter	657,761
	$ 1,271,958

8. LINE OF CREDIT

The Organization entered into a line of credit arrangement to secure their lease agreement up to $59,500 with a bank in New York. The line automatically extends on an annual basis through its expiration on July 15, 2019. Interest on amounts drawn on the line for each day from and including the date such payment is due through the date of payment, at a rate per annum for the actual number of days elapsed equal to the lesser of Prime plus 2% or the highest rate permitted by applicable law. The line of credit is secured by all the balance of all deposit and securities accounts held, property held, received or receivable, and any present and future claims of credit or the transaction underlying such credit and all products and proceeds of the foregoing.

During the year ended September 30, 2017 the Organization did not utilize the line. At September 30, 2017, the balance on the line was $0.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2017:

Time Restricted 2018:	
General operations	$ 160,000
Scholarships	310,000
Moishe House Partnership	47,500
Time Restricted 2019:	
General operations	111,250
Scholarships	226,949
Total temporarily restricted net assets	$ 855,699

9. RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions specified by donors during the year ended September 30, 2017 as follows:

Purpose Restricted:		
Scholarships	$	40,000
Micrograants		10,000
Family supports		10,000
Economic empowerment		66,500
Community engagement		4,629
Time Restricted 2017:		
General operations		295,000
Scholarships		185,000
Moishe House Partnership		32,500
Capacity building		10,000
Micrograants		26,000
Economic empowerment		40,000
Women’s initiative		2,000
Total restrictions satisfied	$	721,629

For the year ended September 30, 2017, there were no permanently restricted net assets.

10. PRIOR PERIOD ADJUSTMENTS

The Organization had substantial growth throughout the year, nearly doubling in gross revenues. During the year, management made substantial changes to policies and procedures that impact the Organization’s financial recordkeeping. In addition, the Organization has continued to seek out more impactful financial council and consultants. As the Organization grows, management will continue to enhance financial transparency and accuracy. As such, the following prior period adjustments have been accumulated and shown in the following table as an adjustment to prior period net asset balances at September 30, 2017:

Adoption of Codification	Change in Net Assets		Amount
958-605-45, Contributions Received	Increase in unconditional promises	$	16,650
ASC 360-10-05, Impairment or Disposals of Long-Lived Assets	Removal of assets no longer in service associated with move to new premises		(52,218)
	Removal of outdated liabilities		19,350
		$	(16,218)

FOOTSTEPS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services						Supporting Services		
	Counseling and Support				Education				
	Identity Development	Family Supports	Community Engagement	Total Counseling and Support	Economic Empowerment	Total Program Services	Management & General	Fundraising	Total
Personnel costs:									
Salaries	$ 163,555	$ 59,924	$ 189,402	$ 412,881	$ 219,228	$ 632,109	$ 64,283	$ 64,409	$ 760,801
Benefits	21,282	7,662	21,282	50,226	17,877	68,103	8,512	8,512	85,127
Payroll taxes	14,165	5,099	15,310	34,574	11,899	46,473	5,147	5,666	57,286
Total personnel costs	199,002	72,685	225,994	497,681	249,004	746,685	77,942	78,587	903,214
Advertising and marketing	750	-	4,093	4,843	-	4,843	355	1,312	6,510
Professional fees and consultants	10,499	2,341	13,458	26,298	2,874	29,172	28,329	51,593	109,094
Supplies and office expenses	3,719	801	8,319	12,839	2,402	15,241	6,472	11,773	33,486
Information technology	28	10	4,872	4,910	24	4,934	-	156	5,090
Occupancy	38,890	9,000	32,822	80,712	42,550	123,262	4,727	11,050	139,039
Travel	237	136	3,301	3,674	1,710	5,384	1,377	3,369	10,130
Meetings and conferences	508	-	2,558	3,066	682	3,748	12,216	346	16,310
Insurance	767	307	1,023	2,097	460	2,557	1,836	929	5,322
Direct client assistance	5,060	57,776	57,230	120,066	297,256	417,322	28	1,060	418,410
Event facilities and catering	-	6	60,943	60,949	1,204	62,153	-	19,145	81,298
Miscellaneous	-		8	8	28	36	209	196	441
Total expenses	$ 259,460	$ 143,062	$ 414,621	$ 817,143	$ 598,194	$ 1,415,337	$ 133,491	$ 179,516	$ 1,728,344