

FOOTSTEPS, INC.

Independent Auditors' Report and
Financial Statements for the
Year Ended September 30, 2019
(with Comparative Totals for the Year Ended
September 30, 2018)

FOOTSTEPS, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7-18

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, 2019, 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.

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Footsteps, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cullari Caruso LLC

Fairfield, New Jersey
July 28, 2020

FOOTSTEPS, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,077,068	\$ 1,736,601
Investments	1,016,924	494,537
Unconditional promises to give, net	829,064	823,273
Prepaid expenses	29,753	10,816
Total current assets	<u>2,952,809</u>	<u>3,065,227</u>
 SECURITY DEPOSITS	 120	 4,320
 LONG TERM UNCONDITIONAL PROMISES TO GIVE, NET	 <u>223,250</u>	 <u>428,311</u>
 TOTAL ASSETS	 <u><u>\$ 3,176,179</u></u>	 <u><u>\$ 3,497,858</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 82,805	\$ 55,617
Accrued expenses	<u>12,000</u>	<u>12,000</u>
 TOTAL LIABILITIES	 <u>94,805</u>	 <u>67,617</u>
 NET ASSETS:		
Without donor restrictions	997,636	774,708
With donor restrictions	<u>2,083,738</u>	<u>2,655,533</u>
TOTAL NET ASSETS	<u>3,081,374</u>	<u>3,430,241</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 3,176,179</u></u>	 <u><u>\$ 3,497,858</u></u>

FOOTSTEPS, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
PUBLIC SUPPORT AND REVENUES:				
Public support:				
Contributions	\$ 1,643,751	\$ 742,427	\$ 2,386,178	\$ 4,318,209
Special event revenue	-	-	-	84,236
Non-cash donations	17,520	-	17,520	31,284
Total public support	<u>1,661,271</u>	<u>742,427</u>	<u>2,403,698</u>	<u>4,433,729</u>
Revenues:				
Fee for service	7,470	-	7,470	15,607
Membership	490	-	490	1,285
Total revenues	<u>7,960</u>	<u>-</u>	<u>7,960</u>	<u>16,892</u>
Net assets released from restrictions				
Satisfaction of purpose restrictions	1,314,222	(1,314,222)	-	-
Total public support and revenues	<u>2,983,453</u>	<u>(571,795)</u>	<u>2,411,658</u>	<u>4,450,621</u>
EXPENSES AND LOSSES:				
Program services:				
Counseling and Support	1,450,658	-	1,450,658	1,194,856
Education	969,244	-	969,244	584,259
Total program services	<u>2,419,902</u>	<u>-</u>	<u>2,419,902</u>	<u>1,779,115</u>
Supporting services:				
Management and general	214,026	-	214,026	244,453
Fundraising	196,670	-	196,670	230,124
Cost of direct benefit to donors	-	-	-	26,130
Total supporting services	<u>410,696</u>	<u>-</u>	<u>410,696</u>	<u>500,707</u>
Total expenses and losses	<u>2,830,598</u>	<u>-</u>	<u>2,830,598</u>	<u>2,279,822</u>
Changes in net assets before non-operating income	152,855	(571,795)	(418,940)	2,170,799
NON-OPERATING INCOME (EXPENSE)				
Bad debt expense	-	-	-	(50,000)
Investment income	70,073	-	70,073	958
Total non-operating income (expense)	70,073	-	70,073	(49,042)
CHANGE IN NET ASSETS	222,928	(571,795)	(348,867)	2,121,757
NET ASSETS, BEGINNING OF YEAR	774,708	2,655,533	3,430,241	1,313,833
PRIOR PERIOD ADJUSTMENT	-	-	-	(5,349)
NET ASSETS, END OF YEAR	<u>\$ 997,636</u>	<u>\$ 2,083,738</u>	<u>\$ 3,081,374</u>	<u>\$ 3,430,241</u>

FOOTSTEPS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)**

	Program Services						Supporting Services		Total	
	Counseling and Support			Total Counseling and Support	Education		Management & General	Fundraising	2019	2018
	Identity Development	Family Supports	Community Engagement		Economic Empowerment	Total Program Services				
Personnel costs:										
Salaries	\$ 306,650	\$ 120,041	\$ 221,705	\$ 648,396	\$ 304,169	\$ 952,565	\$ 69,001	\$ 84,774	\$ 1,106,340	\$ 882,014
Benefits	45,511	17,815	32,903	96,229	45,142	141,371	10,240	12,581	164,192	124,363
Payroll taxes	23,496	9,198	16,987	49,681	23,306	72,987	5,287	6,495	84,769	77,469
Total personnel costs	<u>375,657</u>	<u>147,054</u>	<u>271,595</u>	<u>794,306</u>	<u>372,617</u>	<u>1,166,923</u>	<u>84,528</u>	<u>103,850</u>	<u>1,355,301</u>	<u>1,083,846</u>
Advertising and marketing	-	-	1,956	1,956	50	2,006	121	1,799	3,926	8,318
Professional fees and consultants	25,092	126,811	26,340	178,243	50,769	229,012	49,356	52,371	330,739	270,764
Supplies and office expenses	7,214	1,129	6,996	15,339	5,616	20,955	7,796	12,834	41,585	50,794
Information technology	5,213	140	6,729	12,082	1,349	13,431	12,505	6,369	32,305	8,124
Occupancy	48,675	30,801	51,259	130,735	52,673	183,408	27,796	14,054	225,258	151,343
Travel	2,616	129	3,040	5,785	1,237	7,022	6,699	1,928	15,649	11,500
Meetings and conferences	2,743	135	3,188	6,066	1,296	7,362	7,024	2,022	16,408	20,777
Insurance	811	127	786	1,724	631	2,355	1,262	1,443	5,060	5,013
Direct member assistance	30,212	31,982	174,690	236,884	10,129	247,013	-	-	247,013	191,544
Scholarships and direct financial support	5	50,053	4,000	54,058	459,779	513,837	-	-	513,837	380,800
Microgrants to individuals	-	-	13,028	13,028	12,938	25,966	-	-	25,966	39,508
Entertainment and catering	-	-	-	-	-	-	-	-	-	26,130
In-kind	-	-	449	449	160	609	16,911	-	17,520	31,284
Miscellaneous	-	-	3	3	-	3	28	-	31	77
Total expenses	<u>\$ 498,238</u>	<u>\$ 388,361</u>	<u>\$ 564,059</u>	<u>\$ 1,450,658</u>	<u>\$ 969,244</u>	<u>\$ 2,419,902</u>	<u>\$ 214,026</u>	<u>\$ 196,670</u>	<u>\$ 2,830,598</u>	<u>\$ 2,279,822</u>

FOOTSTEPS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (348,867)	\$ 2,121,757
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Prior period adjustments	-	(5,349)
Realized gain on investments	(72,287)	-
Unrealized loss on investments	35,649	1,811
(Increase) decrease in operating assets		
Unconditional promises to give, net	199,270	(431,010)
Prepaid expenses	(18,937)	2,850
Security deposits	4,200	(4,320)
Increase (decrease) in operating liabilities		
Accounts payable	27,188	102
Net cash (used in) provided by operating activities	<u>(173,784)</u>	<u>1,685,841</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Proceeds from sale of investments	163,651	-
Purchase of investments	(649,400)	(496,348)
Net cash (used in) investing activities	<u>(485,749)</u>	<u>(496,348)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(659,533)	1,189,493
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>1,736,601</u>	<u>547,108</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,077,068</u>	<u>\$ 1,736,601</u>

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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 prepares its financial statements utilizing the American Institute of Certified Public Accountants’ Audit and Accounting Guide, Nonprofit Organizations, and other pronouncements applicable to not-for-profit organizations. The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Paragraphs 958-205-45-2(a) through (d), which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions; net assets with donor restrictions and net assets without donor restrictions.

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.

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of presentation (cont.) --- Accordingly, net assets of the Organization and changes therein would be classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - 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, 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 restrictions.

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.

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.

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair value hierarchy of financial instruments (cont.) --- As of September 30, 2019 and 2018, none of the Organization's assets and liabilities, except for investments, were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, pledges 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 years ended September 30, 2019 and 2018.

Cash and cash equivalents ---For the purposes of the statements of cash flows, the Organization considers all 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 are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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. Unconditional promises to give due in the next year 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 that management approximates, applicable to the years in which the promises are to be received.

The Organization accounts for fundraising in the statement of activities to the extent that expenses have been incurred for specified purposes 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.

The Organization accounts for fee for service arrangements (fixed fee reimbursements) as exchange transactions once the service delivery is performed. Hence, revenue is recognized as the Organization performs the required service.

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.

Investments --- Investments in equity and fixed income securities are measured at fair value based on market prices in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in non-operating income in the accompanying statement of activities.

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Investments (cont.) --- Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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.

<u>Asset Class</u>	<u>Years</u>
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*.

Noncash donations --- Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization generally pays for services requiring specific expertise.

Donations of property and equipment are recorded as support at their fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets that are donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Unless there are donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the acquired assets are placed in service as instructed by the donor.

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.

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Income taxes (cont.) --- 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 years ended September 30, 2019 and 2018, the Organization had no material uncertain tax provisions to be accounted for in the financial statements.

Annually the Organization files an informational tax return with the Internal Revenue Service and registers in states in which it solicits contributions. The Organization is generally subject to tax examinations for three years after its latest filing.

Functional allocation of expenses --- Expenses are charged to the program or supporting service 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, support and education. Management and general relate to administrative expenses related to those programs. Fundraising expenses include direct and indirect costs of special events and relate to the cost of accumulating contributions.

Allocated indirect expenditures include salaries and related payroll expenses, which are allocated on the basis of estimates of time and effort. The indirect labor hours cost pool serves as the basis for allocating supplies and other general office expense.

Advertising --- The Organization expenses production costs of advertising the first time the advertising takes place. Total advertising for the years ended September 30, 2019 and 2018 amounted to \$3,926 and \$8,318, respectively.

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 July 28, 2020, the date on which the financial statements were available to be issued and have determined that except as detailed in Note 14, there are no subsequent events that require disclosure.

Prior year summarized information --- The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

3. CONCENTRATIONS OF CREDIT RISK

Arising from cash deposits in excess of insured limits --- The Organization maintains its cash in bank deposit accounts at one financial institution located in New York. During the year, cash balances can 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. INVESTMENTS

The Organization established an investment policy and began investing surplus funds during the year ended September 30, 2018. Investments stated at fair value on September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Fixed Income	\$ 254,292	\$ 130,317
Equities	762,632	364,220
Total	<u>\$ 1,016,924</u>	<u>\$ 494,537</u>

The cost basis and estimated fair value of investments held as available for sale by the Organization at September 30, 2019, are as follows:

	<u>Cost</u>	<u>Gross unrealized holdings gains</u>	<u>Gross unrealized holdings losses</u>	<u>Estimated fair value</u>
Fixed Income	\$ 237,028	\$ 17,264	\$ -	\$ 254,292
Equities	750,000	17,847	(5,215)	762,632
Total	<u>\$ 987,028</u>	<u>\$ 35,111</u>	<u>\$ (5,215)</u>	<u>\$ 1,016,924</u>

The cost basis and estimated fair value of investments held as available for sale by the Organization at September 30, 2018, are as follows:

	<u>Cost</u>	<u>Gross unrealized holdings gains</u>	<u>Gross unrealized holdings losses</u>	<u>Estimated fair value</u>
Fixed Income	\$ 130,369	\$ -	\$ (52)	\$ 130,317
Equities	365,979	-	(1,759)	364,220
Total	<u>\$ 496,348</u>	<u>\$ -</u>	<u>\$ (1,811)</u>	<u>\$ 494,537</u>

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

4. INVESTMENTS (CONT.)

The composition of investment returns included in unrestricted net assets in the statements of operations and changes in unrestricted net assets for the years ended September 30, 2018 and 2019 is as follows:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 33,435	\$ 2,769
Net realized gains on investments	72,287	-
Change in net unrealized gains/ (losses)	(35,649)	(1,811)
Total	<u>\$ 70,073</u>	<u>\$ 958</u>

In evaluating unrealized losses for other-than-temporary impairment, management considers the severity of the unrealized loss for the individual securities. All unrealized losses were less than one year, and there were no investments that experienced declines in value that management believes are other than temporary in nature.

5. UNCONDITIONAL PROMISES TO GIVE

Total unconditional promises to give consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Temporarily restricted promises:		
Time restricted:		
Non-purpose restricted	\$ 230,244	\$ 423,750
Economic empowerment		
- General	-	125,000
- Scholarships	100,000	200,000
- Women's scholarships	470,000	283,051
Capacity building	138,682	137,222
Family justice	100,000	100,000
Community engagement	25,577	66,125
Identity development	25,000	-
Microgrants	27,500	19,375
Gross unconditional promises to give	<u>1,117,003</u>	<u>1,354,523</u>
Less: Discount for long-term pledges	64,689	52,939
Allowance on uncollectible pledges	-	50,000
Net unconditional promises to give	<u>\$ 1,052,314</u>	<u>\$ 1,251,584</u>
	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 829,064	\$ 823,273
One to five years	223,250	428,311
Total	<u>\$ 1,052,314</u>	<u>\$ 1,251,584</u>

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

5. UNCONDITIONAL PROMISES TO GIVE (CONT.)

For the years ended September 30, 2019 and 2018, 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 years ending September 30, 2019 and 2018. Annually management adjusts risk free interest rates based on the Organization's level of risk in order to assess the discount applied.

6. DONATED GOODS AND SERVICES

For the year ended September 30, 2019, non-cash donations amounted to \$17,520 consisting of legal services for both program and administrative purposes of \$11,625 and non-cash donations of food and beverages amounting to \$5,895. For the year ended September 30, 2018, non-cash donations amounted to \$31,284 consisting of legal services for both program and administrative purposes of \$30,800 and non-cash donations of scholarship reception items of \$484.

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. The lease was amended on April 17, 2020 to include the rental of additional space in the building. Rent expense during the year amounted to approximately \$140,994.

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 \$14,180. 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.

In coordination with the aforementioned lease, the Organization rents workstations in an adjacent suite in the building for additional staff members. This lease commenced on June 1, 2018 with a term of one year. The lease ended on May 31, 2019 and was not renewed. Rent expense during the year amounted to approximately \$16,450.

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 \$915.

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

7. COMMITMENTS (CONT.)

Future minimum lease payments are as follows at September 30, 2019:

2020	\$	206,926
2021		213,304
2022		218,523
2023		224,755
2024		231,165
Thereafter		<u>98,725</u>
	\$	<u>1,193,398</u>

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, 2021. 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 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 years ended September 30, 2019 and 2018 the Organization did not utilize the line. At September 30, 2019 and 2018, the balance on the line was \$0, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at September 30, 2019:

Time Restricted 2020:	
General operations	\$ 200,249
Capacity building	14,600
Economic empowerment	50,062
Economic empowerment - scholarships	324,000
Community engagement	10,077
Direct member support	97,500
Identity development	75,000
Family justice	89,000
	<u>860,488</u>
Time Restricted 2021:	
Economic empowerment - scholarships	<u>223,250</u>
Permanently Restricted:	
Endowment fund	<u>1,000,000</u>
Total donor restricted net assets	<u>\$ 2,083,738</u>

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

9. NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

Net assets with donor restrictions are available for the following purposes at September 30, 2018:

Time Restricted 2019:	
General operations	\$ 271,250
Capacity building	137,222
Economic empowerment	125,000
Economic empowerment- scholarships	366,949
Community engagement	60,000
Direct member support	75,000
Field and movement building	50,000
Family justice	100,000
	<u>1,185,421</u>
Time Restricted 2020:	
General operations	213,999
Economic empowerment	50,062
Economic empowerment- scholarships	117,051
Family justice	89,000
	<u>470,112</u>
Permanently Restricted:	
Endowment fund	<u>1,000,000</u>
Total donor restricted net assets	<u>\$ 2,655,533</u>

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions specified by donors during the year ended September 30, 2019 as follows:

Purpose Restricted:	
Economic empowerment	
Economic empowerment- scholarships	\$ 27,000
Community engagement	12,500
Family justice	37,500
Time Restricted 2019:	
General operations	285,000
Capacity building	137,222
Direct member support	15,000
Economic empowerment	125,000
Economic empowerment- scholarships	395,000
Field and movement building	50,000
Identity development	50,000
Community engagement	80,000
Family justice	100,000
	<u>1,314,222</u>
Total restrictions satisfied	<u>\$ 1,314,222</u>

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

9. NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions specified by donors during the year ended September 30, 2018 as follows:

Purpose Restricted:	
Capacity building	\$ 5,000
Economic empowerment	12,500
Economic empowerment- scholarships	18,000
Community engagement	6,000
Family justice	26,400
Time Restricted 2018:	
General operations	220,000
Capacity building	112,778
Economic empowerment	93,750
Economic empowerment- scholarships	310,000
Community engagement	87,500
Family justice	100,000
Total restrictions satisfied	<u>\$ 991,928</u>

10. ENDOWMENT FUND

On July 23, 2018, the Organization. received a \$1,000,000 donation to be held in an endowment fund. Per the agreement, the principal amount will not be spent. Any income earned must be used to support the Organization's Scholarship Fund.

11. PRIOR PERIOD ADJUSTMENTS

For the year ended September 30, 2018, the Organization had prepaid expenses of \$5,349 remaining on the books that related to previous years.

12. FRINGE BENEFITS

The Organization provides its employees with group health, dental, and vision insurance. All permanent employees who work more than 20 hours per week are eligible to participate. Footsteps provided \$800 towards an employee's medical plan in fiscal year ended June 30, 2019, and assumed responsibility for the full cost of monthly premiums for single coverage for dental and vision insurance for eligible employees. Additionally, the Organization offers a flexible spending account to its employees. For the years ended September 30, 2019 and 2018, the Organization incurred expenses related to these benefits of \$136,178 and \$100,528, respectively.

FOOTSTEPS, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)

13. RETIREMENT PLAN

The Organization maintains a SIMPLE IRA retirement plan for substantially all employees. The Organization matches contributions equal to an employee's salary deferred to the plan up to a limit of 3% of the employee's compensation for the calendar year. The Organization's matching contributions for the years ended September 30, 2019 and 2018, was \$28,014 and \$23,835, respectively.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's liquidity management plan is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of 90 days operating expenses is invested in short-term investments, including certificates of deposit and money market funds. The Organization has long-term contractual lease commitments as detailed in Note 7; the annual expenditures from those agreements are included in the general expenditures of the Organization. Management anticipates meeting general expenditures within one year of the date of the statement of financial position with existing financial assets plus funding provided by anticipated contributions from the general public.

The following reflects the Organization's financial assets as of September 30, 2019 and 2018, reduced by amounts not available for general use:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 2,952,809	\$ 3,065,227
Less those unavailable for general expenditures within one year, due to:		
Prepaid expenses	29,753	10,816
Donor-restricted funding	<u>2,083,738</u>	<u>2,655,533</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 839,318</u>	<u>\$ 398,878</u>

15. SUBSEQUENT EVENT

COVID-19 --- On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a result, economic uncertainties have arisen which have caused a negative impact on the financial markets. The company is evaluating the impact of COVID-19 and its pervasive impact to the overall economy and has determined it cannot reasonably estimate the financial impact, if any, on its operations, assets and material accounting estimates at this time.

Paycheck Protection Program Loan --- Prior to the issuance of this report, the Organization received funding through the Small Business Administration's Paycheck Protection Program in the amount of \$261,500. Loan proceeds are restricted to payment of payroll, certain debt service, rent and utility expenses. The Organization anticipates the loan will be forgiven.