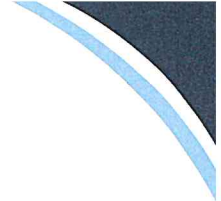


STEPS TO SUCCESS, INC.

Financial Statements
June 30, 2020
(With Comparative Totals for 2019)



STEPS TO SUCCESS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

Table of Contents

	<u>PAGE</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12

To the Board of Directors of
Steps to Success, Inc.
Brookline, MA

Independent Auditors' Report

We have audited the accompanying financial statements of Steps to Success, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements 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.

Auditors' Responsibility

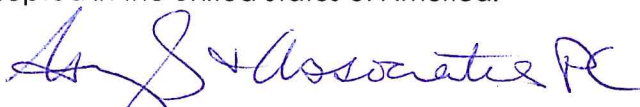
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Steps to Success, Inc. as of June 30, 2020, 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.



GONZALEZ & ASSOCIATES, P.C.
Certified Public Accountants

Stoughton, Massachusetts
December 28, 2020

STEPS TO SUCCESS, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 319,024	\$ 273,475
Accounts receivable	38,954	13,890
Pledges receivable	35,000	7,500
Prepaid expenses	5,901	8,316
Investments	114,910	56,507
Total current assets	<u>513,789</u>	<u>359,688</u>
<u>Fixed Assets</u>		
Furniture & equipment	11,395	11,395
Less: accumulated depreciation	(9,116)	(6,837)
Total furniture and equipment	<u>2,279</u>	<u>4,558</u>
<u>Total Assets</u>	<u>\$ 516,068</u>	<u>\$ 364,246</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 22,783	\$ 34,300
Accrued payroll and related expenses	40,050	
Paycheck protection loan payable	98,598	
Total current liabilities	<u>161,431</u>	<u>34,300</u>
<u>Net Assets</u>		
Without donor restrictions	150,515	217,336
With donor restrictions	204,122	112,610
Total net assets	<u>354,637</u>	<u>329,946</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 516,068</u>	<u>\$ 364,246</u>

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Support and Revenue</u>				
Contributions and grants	\$ 203,077	\$ 255,000	\$ 458,077	\$ 383,240
Released from restrictions	163,488	(163,488)		
Special events	137,032		137,032	113,061
Contracts	180,692		180,692	108,449
Program service fees				7,025
In-kind donations	50,000		50,000	50,000
Interest and dividend income	1,108		1,108	1,932
Unrealized gain on investments	7,701		7,701	1,409
<u>Total Support and Revenue</u>	<u>743,098</u>	<u>91,512</u>	<u>834,610</u>	<u>665,116</u>
<u>Expenses</u>				
Program services	559,310		559,310	526,813
General and administrative	112,735		112,735	138,055
Fundraising	137,874		137,874	155,568
<u>Total Expenses</u>	<u>809,919</u>		<u>809,919</u>	<u>820,436</u>
<u>Change in Net Assets</u>	<u>(66,821)</u>	<u>91,512</u>	<u>24,691</u>	<u>(155,320)</u>
<u>Net Assets - Beginning of Year</u>	<u>217,336</u>	<u>112,610</u>	<u>329,946</u>	<u>485,266</u>
<u>Net Assets - End of Year</u>	<u>\$ 150,515</u>	<u>\$ 204,122</u>	<u>\$ 354,637</u>	<u>\$ 329,946</u>

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019	
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 362,543	\$ 38,048	\$ 74,448	\$ 475,039	\$ 449,831
Fringe benefits	17,353	1,827	3,653	22,833	32,731
Payroll taxes	32,912	3,464	6,929	43,305	35,993
Total salaries and related expenses	412,808	43,339	85,030	541,177	518,555
Administrative fees		1,860		1,860	935
Bank charges		3,704		3,704	2,482
Consultants	3,185	6,788	25,520	35,493	73,005
Depreciation	1,732	182	365	2,279	2,279
Direct mailing expenses			7,823	7,823	2,952
Dues and subscriptions					2,109
Fundraising			1,027	1,027	501
In-kind rent	38,000	4,000	8,000	50,000	50,000
Insurance	4,147	2,327	873	7,347	9,071
Office expense		5,846		5,846	7,551
Payroll processing fees		1,791		1,791	2,510
Postage	835	929	915	2,679	2,900
Printing		1,833	586	2,419	3,637
Professional development		1,661		1,661	2,964
Professional fees		38,222		38,222	42,735
Program expenses	75,731			75,731	37,854
Program supplies	8,732			8,732	24,551
Special event			3,493	3,493	15,583
Stipends	13,340			13,340	13,314
Telephone and internet					134
Travel	800	253		1,053	696
Website & software subscriptions			4,242	4,242	4,118
Total	<u>\$ 559,310</u>	<u>\$ 112,735</u>	<u>\$ 137,874</u>	<u>\$ 809,919</u>	<u>\$ 820,436</u>

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 24,691	\$ (155,320)
Adjustment to reconcile change in net assets to cash provided (used) by operations:		
Depreciation	2,279	2,279
Unrealized (gain) on investments	(7,701)	(1,409)
Donated stock		(4,960)
(Increase) decrease in:		
Accounts receivable	(25,064)	2,106
Pledges receivable	(27,500)	25,750
Prepaid expenses	2,415	4,060
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,517)	(1,656)
Accrued payroll and related expenses	40,050	
	<u>(2,347)</u>	<u>(129,150)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of investments	(50,702)	(50,138)
	<u>(50,702)</u>	<u>(50,138)</u>
<u>Net Cash (Used) by Investing Activities</u>		
	<u>(50,702)</u>	<u>(50,138)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from loan	98,598	0
	<u>98,598</u>	<u>0</u>
<u>Net Cash From Financing Activities</u>		
	<u>98,598</u>	<u>0</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	45,549	(179,288)
<u>Cash and Cash Equivalents - Beginning of Year</u>	273,475	452,763
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 319,024</u>	<u>\$ 273,475</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 0	\$ 0

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1. Organization

Steps to Success, Inc., was organized in the Commonwealth of Massachusetts as a not-for-profit corporation in July, 2014. The stated purpose of the Organization is to promote equity for students from low-income families in Brookline by expanding their horizons, building upon their skills, and supporting their educational journey in order to maximize their life choices.

Founded in 2001, the mission of Steps to Success, Inc. (STS) is to promote equity for Brookline's students from low-income families by expanding their horizons, building upon their skills, and supporting their educational journey in order to maximize their life choices. Together with our lead partners, the Public Schools of Brookline (PSB) and Brookline Housing Authority (BHA), STS tackles the seemingly intractable opportunity gap between low-income students and their higher-income peers.

STS helps students living in Brookline's public housing units thrive academically in grade school, matriculate in college, and obtain a college degree. STS has served more than 4,000 students to date, through out of school time programs such as afterschool, vacation programs and camp access, career readiness through paid internships and workshops, and college success through advising, mentoring, and financial aid access. In the past decade, STS has eliminated the college matriculation gap between low- and high-income Brookline students. Because of the long-term investment in our students, both in and out of school, 89% of Steps to Success students are on track to graduate from college within 6 years, versus 11% of low-income students nationwide.

In FY19, STS invested more heavily in capacity-building projects for the organization, including developing its first ever strategic plan, a development plan and stronger financial reporting, and a new student database. These one-time investments help chart the next three years for Steps to Success, Inc., including organizational goals, a fundraising plan to achieve long-term sustainability, and a database that allows for improved outcomes tracking.

Note 2. Summary of Significant Accounting and Reporting

a. Standards of Accounting and Reporting

The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

b. Basis of presentation

The financial statements of Steps to Success, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Steps to Success, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

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 Steps to Success, Inc.'s management and the board of directors.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(Continued)

Note 2. Summary of Significant Accounting and Reporting (Continued)

b. Basis of presentation (continued)

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Steps to Success, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

c. Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick, and personal days off, depending on their job classifications. None of these benefits vest, therefore, vacation and sick leave are expensed as incurred.

d. Cash and Cash Equivalents

For purposes of the statements of cash flows, Steps to Success, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

e. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Contributions

Contributions received 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 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 statements of activities as net assets released from restrictions.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(Continued)

Note 2. Summary of Significant Accounting and Reporting (Continued)

- g. Functional Expenses
The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, payroll taxes, insurance, in-kind rent, and depreciation, which are allocated on the basis of estimates of time and effort.
- h. Property and Equipment
These assets are recorded at cost, when purchased or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized.
- i. Depreciation
Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful life of the asset. Equipment is being depreciated over five years.
- j. Promises to Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- k. Fair Value
The Organization follows the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820 "Fair Value Measurements and Disclosures", for assets and liabilities that are measured at fair value on a recurring basis, and to determine fair value disclosures. The standard defines fair value and it establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The standard applies to certain other existing pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value accounting standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

- Level 1 – Observable inputs such as quoted prices in active markets.
- Level 2 – Inputs other than Level 1 inputs that are observable, whether directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable markets.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(Continued)

Note 2. Summary of Significant Accounting and Reporting (Continued)

k. Fair Value (continued)

- Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions and are significant to the fair measurement.

The Organization's investments are valued based on Level 1 inputs within the fair value hierarchy.

l. Summarized Comparative Financial Statements

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 presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

m. Reclassification

Certain amounts in the prior period financials have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net loss but provide a more appropriate presentation of the financial statements of the organization.

Note 3. Tax Status

Steps to Success, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Note 4. Concentration of Credit Risk

The Organization maintains its cash balances in two financial institutions. The financial institutions' balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020 and 2019 the Organization's uninsured cash balances at the financial institution totaled \$48,454 and \$24,677, respectively. Management believes it is not exposed to any significant credit risks on its cash balances.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(Continued)

Note 5. Availability and Liquidity

The following represents Steps to Success, Inc.'s financial assets at June 30, 2020 and 2019:

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 319,024	\$ 273,475
Accounts receivable	38,954	13,890
Pledges receivable	35,000	7,500
Investments	114,910	56,507
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 507,888</u>	<u>\$ 351,372</u>

Steps to Success, Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$203,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by donor-restricted resources.

Note 6. Pledges Receivable

Pledges receivable in the amount of \$35,000 were due to the Organization at year end and are expected to be received in less than one year.

Note 7. Investments

Steps to Success, Inc. maintains an investment account. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization. Equities held at the brokerage are insured up to \$500,000 by the SIPC. Investments are carried at quoted market values as summarized below:

	Cost	FMV
Mutual Funds	<u>\$ 105,780</u>	<u>\$ 114,910</u>
Total	<u>\$ 105,780</u>	<u>\$ 114,910</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year:

Interest and dividends	\$ 842
Net unrealized gains	7,701
Net investment income	<u>\$ 8,543</u>

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(Continued)

Note 8. Contributions In-kind

The Public Schools of Brookline provides in-kind space for completing the mission and work of Steps to Success, Inc. The Organization has recorded in-kind revenue and expense, based on the estimated fair value of the space provided. This in-kind space totaled \$50,000 for each year ended June 30, 2020 and 2019.

Note 9. Retirement Plan

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE IRA) to which eligible employees may elect to make contributions under salary reduction agreements. For those employees electing to participate, the Organization makes matching contributions on behalf of the participant of up to 3% of compensation for employees after one year of service and 1% of compensation for employees who have less than one year of service. Employees are qualified to participate in the Plan if they are at least twenty-one years of age and have or will earn more than \$5,000 within the year. Matching contributions are made based on the organizations performance each year. Matching contributions for the year ended 2020 and 2019 totaled \$10,613 and \$0, respectively.

Note 10. PPP Loan

The Organization was approved for a \$98,598 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%. Payments are not required to begin for six months after the finding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Note 11. Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Specific Purpose		
Cradle to Career	\$ 12,500	\$ 3,500
Extended Learning Program		
Fundraising Capacity Building	27,512	
Jim Fitzgibbons Fund	109,110	109,110
Summer Programs	20,000	
Passage of Time		
Pledges receivable	35,000	
Total	<u>\$ 204,122</u>	<u>\$ 112,610</u>

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(Continued)

Note 11. Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions		
College Bound Book Award	\$ 10,000	\$ 10,000
College Success Initiative	7,500	15,000
Cradle to Career	37,500	50,000
Extended Learning Program	13,500	10,000
Fundraising Capacity Building	22,488	
Jim Fitzgibbons Fund		16,242
Partnership		5,000
Step Up Program	20,000	
Strategic Planning		4,817
Student Support Fund	15,000	
Summer Connections	12,500	5,000
Summer Interns	20,000	20,000
Work Connections for Youth	5,000	
Satisfaction of Time Restrictions		
Fiscal year 2018		<u>33,250</u>
Total	<u>\$ 163,488</u>	<u>\$ 169,309</u>

Note 12. Date of Management's Review

Subsequent events were evaluated through December 28, 2020, which is the date the financial statements were available to be issued.