

**FOOTSTEPS, INC.**

Independent Auditors' Report and  
Financial Statements for the  
Year Ended September 30, 2018  
(with comparative totals for the year ended September  
30, 2017)

# 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, 2018, and the related statement of activities 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, 2018, 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.

## **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 18 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.

## **Report on Summarized Comparative Information**

We have previously audited Footsteps, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Cullari Caruso LLC". The signature is written in a cursive, flowing style.

Fairfield, New Jersey  
April 10, 2019

# FOOTSTEPS, INC.

## STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,736,601	\$ 547,108
Investments	494,537	-
Unconditional promises to give, net	823,273	482,375
Prepaid expenses	10,816	13,666
Total current assets	<u>3,065,227</u>	<u>1,043,149</u>
SECURITY DEPOSITS	4,320	-
LONG TERM UNCONDITIONAL PROMISES TO GIVE, NET	<u>428,311</u>	<u>338,199</u>
 TOTAL ASSETS	 <u><u>\$ 3,497,858</u></u>	 <u><u>\$ 1,381,348</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 55,617	\$ 55,515
Accrued expenses	12,000	12,000
 TOTAL LIABILITIES	 <u>67,617</u>	 <u>67,515</u>
NET ASSETS:		
Unrestricted net assets	774,708	458,134
Temporarily restricted net assets	1,655,533	855,699
Permanently restricted net assets	1,000,000	-
TOTAL NET ASSETS	<u>3,430,241</u>	<u>1,313,833</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 3,497,858</u></u>	 <u><u>\$ 1,381,348</u></u>

**FOOTSTEPS, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	
				2018	2017
<b>PUBLIC SUPPORT AND REVENUES:</b>					
Public support:					
Contributions	\$ 1,526,447	\$ 1,791,762	\$ 1,000,000	\$ 4,318,209	\$ 2,214,977
Special event revenue	84,236	-	-	84,236	85,907
Non-cash donations	31,284	-	-	31,284	8,991
Total public support	<u>1,641,967</u>	<u>1,791,762</u>	<u>1,000,000</u>	<u>4,433,729</u>	<u>2,309,875</u>
Revenues:					
Fee for service	15,607	-	-	15,607	20,155
Membership	1,285	-	-	1,285	2,088
Total revenues	<u>16,892</u>	<u>-</u>	<u>-</u>	<u>16,892</u>	<u>22,243</u>
Net assets released from restrictions					
Satisfaction of purpose restrictions	<u>991,928</u>	<u>(991,928)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>2,650,787</u>	<u>799,834</u>	<u>1,000,000</u>	<u>4,450,621</u>	<u>2,332,118</u>
<b>EXPENSES AND LOSSES:</b>					
Program services:					
Counseling and Support	\$ 1,194,856	-	-	1,194,856	817,143
Education	584,259	-	-	584,259	598,194
Total program services	<u>1,779,115</u>	<u>-</u>	<u>-</u>	<u>1,779,115</u>	<u>1,415,337</u>
Supporting services:					
Management and general	244,453	-	-	244,453	133,491
Fundraising	256,254	-	-	256,254	179,516
Total supporting services	<u>500,707</u>	<u>-</u>	<u>-</u>	<u>500,707</u>	<u>313,007</u>
Total expenses and losses	<u>2,279,822</u>	<u>-</u>	<u>-</u>	<u>2,279,822</u>	<u>1,728,344</u>
Changes in net assets before non-operating income	370,965	799,834	1,000,000	2,170,799	603,774
<b>NON-OPERATING INCOME (EXPENSE)</b>					
Bad debt expense	(50,000)	-	-	(50,000)	-
Investment income	958	-	-	958	429
Total non-operating income (expense)	<u>(49,042)</u>	<u>-</u>	<u>-</u>	<u>(49,042)</u>	<u>429</u>
CHANGE IN NET ASSETS	321,923	799,834	1,000,000	2,121,757	604,203
NET ASSETS, BEGINNING OF YEAR	458,134	855,699	-	1,313,833	725,848
PRIOR PERIOD ADJUSTMENT	<u>(5,349)</u>	<u>-</u>	<u>-</u>	<u>(5,349)</u>	<u>(16,218)</u>
NET ASSETS, END OF YEAR	<u>\$ 774,708</u>	<u>\$ 1,655,533</u>	<u>\$ 1,000,000</u>	<u>\$ 3,430,241</u>	<u>\$ 1,313,833</u>

## FOOTSTEPS, INC.

### STATEMENT OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,121,757	\$ 604,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Prior period adjustments	(5,349)	(16,218)
Disposal of long lived assets	-	40,173
(Increase) decrease in operating assets		
Unconditional promises to give, net	(431,010)	(474,074)
Prepaid expenses	2,850	(7,614)
Security deposits	(4,320)	-
Increase (decrease) in operating liabilities		
Accounts payable	102	(13,960)
Accrued expenses	-	12,000
Net cash provided by operating activities	<u>1,684,030</u>	<u>144,510</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Purchase of investments	<u>(494,537)</u>	<u>-</u>
Net cash used in investing activities	<u>(494,537)</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,189,493	144,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>547,108</u>	<u>402,598</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,736,601</u>	<u>\$ 547,108</u>

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### 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.



# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 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.

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 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, 2018 and 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 years ended September 30, 2018 and 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.

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Investments** --- Investments in equity and fixed income securities are measured through fair values 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.

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*.

**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.

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 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 year ended September 30, 2018, 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, 2015.

**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 years ended September 30, 2018 and 2017 amounted to \$8,318 and \$6,510, 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 April 10, 2019, the date on which the financial statements were available to be issued and have determined that there are no subsequent events that require disclosure.

**Reclassification** --- Certain amounts from prior year financial statements have been reclassified to conform to current year presentation.

### 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.

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 4. INVESTMENTS

The Organization established an investment policy and began investing surplus funds during the year ended September 30, 2018. Accordingly, investment balances are not presented for the year ended September 30, 2017.

Investments stated at fair value on September 30, 2018 consist of the following:

	<u>2018</u>
Fixed Income	\$ 130,317
Equities	364,220
Total	<u>\$ 494,537</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>

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

	<u>2018</u>
Interest income	\$ 2,769
Net realized gains on investments	-
Change in net unrealized gains/ (losses)	<u>(1,811)</u>
Total	<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.

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

### 5. UNCONDITIONAL PROMISES TO GIVE

Total unconditional promises to give consist of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Temporarily restricted promises:		
Time restricted:		
Non-purpose restricted	\$ 423,750	\$ 300,000
Economic empowerment		
- General	125,000	-
- Scholarships	200,000	515,000
- Women's scholarships	283,051	-
Capacity building	137,222	-
Family justice	100,000	-
Community engagement	66,125	47,375
Microgrants	19,375	-
Gross unconditional promises to give	<u>1,354,523</u>	<u>862,375</u>
Less: Discount for long-term pledges	52,939	41,801
Allowance on uncollectible pledges	<u>50,000</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 1,251,584</u>	<u>\$ 820,574</u>
	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 823,273	\$ 482,375
One to five years	428,311	338,199
Total	<u>\$ 1,251,584</u>	<u>\$ 820,574</u>

For the years ended September 30, 2018 and 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 years ending September 30, 2018 and 2017. Annually management adjusts risk free interest rates based on the Organization's level of risk in order to assess the discount applied.

### 6. 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. For the years ended September 30, 2018 and 2017, there were no expenses that met the organization's capitalization policy.

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 7. 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. For the year ended September 30, 2018, non-cash donations of legal services for both program and administrative purposes amounted to \$30,800 and non-cash donations of scholarship reception items amounted to \$484. For the year ended September 30, 2018, non-cash donations amounted to \$31,284.

### 8. 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 \$113,918.

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 \$7,410. 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. At that time, the Organization will have the option of extending for another one-year period or continuing on a month-to-month basis. Rent expense during the year amounted to approximately \$4,200.

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.

Future minimum lease payments are as follows at September 30, 2018:

2019	\$	129,050
2020		116,813
2021		124,502
2022		127,063
2023		130,558
Thereafter		<u>271,984</u>
	\$	<u>899,970</u>

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 9. 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 years ended September 30, 2018 and 2017 the Organization did not utilize the line. At September 30, 2018 and 2017, the balance on the line was \$0 and \$0, respectively.

### 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets 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
Scholarships	366,949
Community engagement	60,000
Direct member support	75,000
Field and movement building	50,000
Family justice	100,000
	<hr/>
	1,185,421
Time Restricted 2020:	
General operations	213,999
Economic empowerment	50,062
Scholarships	117,051
Family justice	89,000
	<hr/>
	470,112
	<hr/>
Total temporarily restricted net assets	\$ 1,655,533



# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 10. TEMPORARILY RESTRICTED NET ASSETS (CONT.)

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

Time Restricted 2018:	
General operations	\$ 160,000
Economic empowerment	-
Scholarships	310,000
Community engagement	47,500
	<u>517,500</u>
Time Restricted 2019:	
General operations	111,250
Economic empowerment	-
Scholarships	226,949
	<u>338,199</u>
Total temporarily restricted net assets	<u>\$ 855,699</u>

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
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
Scholarships	310,000
Community engagement	87,500
Family justice	100,000
	<u>991,928</u>
Total restrictions satisfied	<u>\$ 991,928</u>

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 10. TEMPORARILY RESTRICTED NET ASSETS (CONT.)

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:		
Economic empowerment	\$	66,500
Scholarships		40,000
Community engagement		4,629
Microgrants		10,000
Family justice		10,000
Time Restricted 2017:		
General operations		295,000
Capacity building		10,000
Economic empowerment		40,000
Scholarships		185,000
Community engagement		32,500
Microgrants		26,000
Women's initiative		2,000
		<hr/>
Total restrictions satisfied	\$	<u>721,629</u>

### 11. PERMANENTLY RESTRICTED NET ASSETS

In 2018, Footsteps, Inc. 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. Total permanently restricted net assets amount to \$1,000,000 and \$0 for the years ended September 30, 2018 and 2017, respectively.

### 12. 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.

# FOOTSTEPS, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (CONTINUED)

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### 12. PRIOR PERIOD ADJUSTMENTS (CONT.)

**For the year ended September 30, 2017** --- 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:

<u>Adoption of Codification</u>	<u>Change in Net Assets</u>	<u>Amount</u>
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
		<u>\$ (16,218)</u>

**FOOTSTEPS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)**

	Program Services				Supporting Services			Total			
	Counseling and Support			Total Counseling and Support	Education		Total Program Services	Management & General	Fundraising	2018	2017
	Identity Development	Family Supports	Community Engagement		Economic Empowerment						
Personnel costs:											
Salaries	\$ 238,488	\$ 96,447	\$ 251,377	\$ 586,312	\$ 108,682	\$ 694,994	\$ 73,037	\$ 113,983	\$ 882,014	\$ 760,801	
Benefits	33,827	13,680	35,655	83,162	14,675	97,837	10,359	16,167	124,363	85,127	
Payroll taxes	20,393	9,369	21,394	51,156	9,914	61,070	6,611	9,788	77,469	57,286	
Total personnel costs	292,708	119,496	308,426	720,630	133,271	853,901	90,007	139,938	1,083,846	903,214	
Advertising and marketing	-	73	4,653	4,726	-	4,726	655	2,937	8,318	6,510	
Professional fees and consultants	61,474	52,786	22,339	136,599	13,832	150,431	78,911	41,422	270,764	109,094	
Supplies and office expenses	5,330	866	8,496	14,692	5,499	20,191	8,200	22,403	50,794	33,486	
Information technology	71	18	865	954	18	972	2,161	4,991	8,124	5,090	
Occupancy	41,155	12,901	37,150	91,206	34,637	125,843	11,917	13,583	151,343	139,039	
Travel	348	423	3,426	4,197	83	4,280	4,000	3,220	11,500	10,130	
Meetings and conferences	1,162	297	1,606	3,065	55	3,120	16,672	985	20,777	16,310	
Insurance	1,154	431	1,202	2,787	451	3,238	1,130	645	5,013	5,322	
Direct member assistance	9,177	45,757	119,903	174,837	16,707	191,544	-	-	191,544	379,794	
Scholarships and direct financial support	54	1,550	-	1,604	379,196	380,800	-	-	380,800	63,977	
Microgrants to individuals	-	-	39,508	39,508	-	39,508	-	-	39,508	35,245	
Costs of direct benefits to donors	-	-	-	-	-	-	-	26,130	26,130	20,692	
In-kind	-	-	-	-	484	484	30,800	-	31,284	-	
Miscellaneous	51	-	-	51	26	77	-	-	77	441	
Total expenses	\$ 412,684	\$ 234,598	\$ 547,574	\$ 1,194,856	\$ 584,259	\$ 1,779,115	\$ 244,453	\$ 256,254	\$ 2,279,822	\$ 1,728,344	