



**FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**THE SECOND STEP, INC.**

Contents  
June 30, 2017 and 2016

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## Independent Auditor's Report

To the Board of Directors of  
The Second Step, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Second Step, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 The Second Step, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Alexander, Crosser, Pinning & Co., P.C.*

Wellesley, Massachusetts  
November 9, 2017

THE SECOND STEP, INC.

Statements of Financial Position  
June 30, 2017 and 2016

Assets	2017				2016			
	Unrestricted		Temporarily Restricted	Total	Unrestricted		Temporarily Restricted	Total
	Operating	Property and Equipment			Operating	Property and Equipment		
Current Assets:								
Cash and cash equivalents	\$ 874,371	\$ -	\$ 118,165	\$ 992,536	\$ 785,210	\$ -	\$ 81,488	\$ 866,698
Restricted cash	-	-	192,463	192,463	-	-	222,279	222,279
Current portion of certificates of deposit	152,950	-	51,778	204,728	101,053	-	51,598	152,651
Accounts receivable	126,530	-	-	126,530	108,591	-	-	108,591
Current portion of pledges receivable	-	-	119,960	119,960	20,000	-	198,759	218,759
Prepaid expenses and deposit	21,363	-	-	21,363	34,558	-	-	34,558
Total current assets	1,175,214	-	482,366	1,657,580	1,049,412	-	554,124	1,603,536
Certificates of Deposit, net of current portion	-	-	-	-	50,336	-	-	50,336
Pledges Receivable, net of current portion and allowance	-	-	20,000	20,000	-	-	85,000	85,000
Property and Equipment, net	-	1,623,178	-	1,623,178	-	1,671,008	-	1,671,008
Total assets	\$ 1,175,214	\$ 1,623,178	\$ 502,366	\$ 3,300,758	\$ 1,099,748	\$ 1,671,008	\$ 639,124	\$ 3,409,880
<b>Liabilities and Net Assets</b>								
Current Liabilities:								
Accounts payable	\$ 22,475	\$ -	\$ -	\$ 22,475	\$ 24,879	\$ -	\$ -	\$ 24,879
Accrued expenses	58,448	-	-	58,448	63,787	-	-	63,787
Deferred revenue	1,750	-	-	1,750	25,500	-	-	25,500
Total current liabilities	82,673	-	-	82,673	114,166	-	-	114,166
Contingent Loans	-	1,301,850	-	1,301,850	-	1,301,850	-	1,301,850
Total liabilities	82,673	1,301,850	-	1,384,523	114,166	1,301,850	-	1,416,016
Net Assets:								
Unrestricted:								
Operating	586,429	-	-	586,429	482,684	-	-	482,684
Property and equipment	-	321,328	-	321,328	-	369,158	-	369,158
Board designated:								
Operating reserve	310,205	-	-	310,205	307,880	-	-	307,880
Capital asset reserve	56,544	-	-	56,544	56,288	-	-	56,288
Program reserve	139,363	-	-	139,363	138,730	-	-	138,730
Total unrestricted	1,092,541	321,328	-	1,413,869	985,582	369,158	-	1,354,740
Temporarily restricted:								
Donor restricted	-	-	258,125	258,125	-	-	365,247	365,247
Ailene R. Giglio Fund	-	-	244,241	244,241	-	-	273,877	273,877
Total temporarily restricted	-	-	502,366	502,366	-	-	639,124	639,124
Total net assets	1,092,541	321,328	502,366	1,916,235	985,582	369,158	639,124	1,993,864
Total liabilities and net assets	\$ 1,175,214	\$ 1,623,178	\$ 502,366	\$ 3,300,758	\$ 1,099,748	\$ 1,671,008	\$ 639,124	\$ 3,409,880

The accompanying notes are an integral part of these statements.

THE SECOND STEP, INC.

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2017 and 2016

	2017					2016				
	Unrestricted		Temporarily Restricted	Total	Total	Unrestricted		Temporarily Restricted	Total	
	Operating	Property and Equipment				Property and Equipment	Operating			
<b>Operating Revenues and Support:</b>										
Contracts	\$ 676,526	\$ -	\$ 676,526	\$ -	\$ 676,526	\$ 670,177	\$ -	\$ 670,177	\$ -	\$ 670,177
Gifts, grants and contributions	393,512	-	393,512	159,275	552,787	363,914	-	363,914	115,944	479,858
Special events	452,716	-	452,716	-	452,716	405,409	-	405,409	-	405,409
Donated goods and services	37,720	-	37,720	-	37,720	20,790	-	20,790	-	20,790
Program fees	11,306	-	11,306	-	11,306	10,437	-	10,437	-	10,437
Investment and other income	6,137	-	6,137	420	6,557	2,436	-	2,436	820	3,256
Net assets released from restrictions	288,953	-	288,953	(288,953)	-	331,572	-	331,572	(331,572)	-
<b>Total operating revenues and support</b>	<b>1,866,870</b>	<b>-</b>	<b>1,866,870</b>	<b>(129,258)</b>	<b>1,737,612</b>	<b>1,804,735</b>	<b>-</b>	<b>1,804,735</b>	<b>(214,808)</b>	<b>1,589,927</b>
<b>Operating Expenses:</b>										
Program services:										
Residential	583,299	65,883	649,182	-	649,182	557,734	64,052	621,786	-	621,786
Children's Services	202,111	-	202,111	-	202,111	189,769	-	189,769	-	189,769
Community Programs	365,190	-	365,190	-	365,190	456,403	-	456,403	-	456,403
Outreach and Education	70,488	-	70,488	-	70,488	91,266	-	91,266	-	91,266
<b>Total program services</b>	<b>1,221,088</b>	<b>65,883</b>	<b>1,286,971</b>	<b>-</b>	<b>1,286,971</b>	<b>1,295,172</b>	<b>64,052</b>	<b>1,359,224</b>	<b>-</b>	<b>1,359,224</b>
Supporting services:										
General and Administrative	180,328	556	180,884	-	180,884	204,122	556	204,678	-	204,678
Institutional Advancement	339,886	-	339,886	-	339,886	264,501	-	264,501	-	264,501
<b>Total supporting services</b>	<b>520,214</b>	<b>556</b>	<b>520,770</b>	<b>-</b>	<b>520,770</b>	<b>468,623</b>	<b>556</b>	<b>469,179</b>	<b>-</b>	<b>469,179</b>
<b>Total operating expenses</b>	<b>1,741,302</b>	<b>66,439</b>	<b>1,807,741</b>	<b>-</b>	<b>1,807,741</b>	<b>1,763,795</b>	<b>64,608</b>	<b>1,828,403</b>	<b>-</b>	<b>1,828,403</b>
<b>Changes in net assets from operations</b>	<b>125,568</b>	<b>(66,439)</b>	<b>59,129</b>	<b>(129,258)</b>	<b>(70,129)</b>	<b>40,940</b>	<b>(64,608)</b>	<b>(23,668)</b>	<b>(214,808)</b>	<b>(238,476)</b>
<b>Non-Operating Revenues (Expenses):</b>										
Loss on disposal of property and equipment	-	-	-	-	-	-	(5,153)	(5,153)	-	(5,153)
Write-off of uncollectible pledge	-	-	-	(7,500)	(7,500)	-	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>-</b>	<b>(5,153)</b>	<b>(5,153)</b>	<b>-</b>	<b>(5,153)</b>
<b>Changes in net assets</b>	<b>125,568</b>	<b>(66,439)</b>	<b>59,129</b>	<b>(136,758)</b>	<b>(77,629)</b>	<b>40,940</b>	<b>(69,761)</b>	<b>(28,821)</b>	<b>(214,808)</b>	<b>(243,629)</b>
<b>Net Assets, beginning of year</b>	<b>985,582</b>	<b>369,158</b>	<b>1,354,740</b>	<b>639,124</b>	<b>1,993,864</b>	<b>954,474</b>	<b>429,087</b>	<b>1,383,561</b>	<b>853,932</b>	<b>2,237,493</b>
Transfers	(18,609)	18,609	-	-	-	(9,832)	9,832	-	-	-
<b>Net Assets, end of year</b>	<b>\$ 1,092,541</b>	<b>\$ 321,328</b>	<b>\$ 1,413,869</b>	<b>\$ 502,366</b>	<b>\$ 1,916,235</b>	<b>\$ 985,582</b>	<b>\$ 369,158</b>	<b>\$ 1,354,740</b>	<b>\$ 639,124</b>	<b>\$ 1,993,864</b>

The accompanying notes are an integral part of these statements.

**THE SECOND STEP, INC.**Statements of Cash Flows  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (77,629)	\$ (243,629)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	66,439	64,608
Loss on disposal of property and equipment	-	5,153
Uncollectible pledges written off	7,500	-
Changes in operating assets and liabilities:		
Accounts receivable	(17,939)	(28,039)
Pledges receivable	156,299	143,463
Prepaid expenses and deposit	13,195	(11,210)
Accounts payable	(2,404)	(3,460)
Accrued expenses	(5,339)	13,710
Deferred revenue	(23,750)	25,500
Net cash provided by (used in) operating activities	<u>116,372</u>	<u>(33,904)</u>
<b>Cash Flows from Investing Activities:</b>		
Decrease in restricted cash	29,816	34,538
Purchases of certificates of deposit, including accrued interest	(1,741)	(51,144)
Purchase of property and equipment	<u>(18,609)</u>	<u>(9,832)</u>
Net cash provided by (used in) investing activities	<u>9,466</u>	<u>(26,438)</u>
<b>Net Change in Cash and Cash Equivalents</b>	125,838	(60,342)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>866,698</u>	<u>927,040</u>
End of year	<u>\$ 992,536</u>	<u>\$ 866,698</u>

**THE SECOND STEP, INC.**

Statement of Functional Expenses  
 For the Year Ended June 30, 2017  
 (With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017							2016	
	Program Services				Supporting Services			Total	
	Residential	Children's Services	Community Programs	Outreach and Education	Total Program Services	General and Administrative	Institutional Advancement		
<b>Expenses:</b>									
Salaries and related:									
Salaries	\$ 334,553	\$ 123,156	\$ 224,392	\$ 43,282	\$ 725,383	\$ 93,200	\$ 153,705	\$ 972,288	\$ 1,017,629
Payroll taxes	27,292	11,209	19,911	2,733	61,145	9,561	10,866	81,572	85,634
Employee benefits	21,165	13,380	17,036	-	51,581	8,381	16,279	76,241	74,370
Donated salaries	-	-	-	-	-	9,330	-	9,330	9,240
Total salaries and related	<u>383,010</u>	<u>147,745</u>	<u>261,339</u>	<u>46,015</u>	<u>838,109</u>	<u>120,472</u>	<u>180,850</u>	<u>1,139,431</u>	<u>1,186,873</u>
Program costs:									
Transitional assistance and other program expenses	29,346	30,103	25,899	-	85,348	-	-	85,348	91,319
Vehicle expense	11,151	1,203	1,218	-	13,572	-	-	13,572	13,207
Total program costs	<u>40,497</u>	<u>31,306</u>	<u>27,117</u>	<u>-</u>	<u>98,920</u>	<u>-</u>	<u>-</u>	<u>98,920</u>	<u>104,526</u>
Occupancy:									
Rent	56,554	10,610	31,605	-	98,769	12,255	20,640	131,664	125,287
Depreciation	65,883	-	-	-	65,883	556	-	66,439	64,608
Utilities	43,593	6,793	-	-	50,386	-	-	50,386	44,332
Repairs and maintenance	26,594	-	1,649	-	28,243	2,545	766	31,554	39,664
Donated utilities	2,500	-	-	-	2,500	-	-	2,500	-
Total occupancy	<u>195,124</u>	<u>17,403</u>	<u>33,254</u>	<u>-</u>	<u>245,781</u>	<u>15,356</u>	<u>21,406</u>	<u>282,543</u>	<u>273,891</u>
Other costs:									
Professional services	8,317	208	3,405	-	11,930	26,583	46,725	85,238	48,296
Fundraising and community events	-	-	-	20,248	20,248	1,070	63,694	85,012	81,273
Donated legal services	-	-	25,890	-	25,890	-	-	25,890	11,550
Insurance	8,920	3,681	3,056	-	15,657	4,092	3,209	22,958	20,709
Printing and postage	190	-	720	4,225	5,135	763	15,098	20,996	34,065
Telecommunications	8,557	1,333	4,732	-	14,622	1,447	2,437	18,506	17,471
Miscellaneous	2,803	75	4,306	-	7,184	9,420	1,319	17,923	31,641
Office expenses	1,350	-	736	-	2,086	1,681	4,188	7,955	10,062
Advertising	90	90	180	-	360	-	960	1,320	1,328
Training and education	324	270	455	-	1,049	-	-	1,049	6,718
Total other costs	<u>30,551</u>	<u>5,657</u>	<u>43,480</u>	<u>24,473</u>	<u>104,161</u>	<u>45,056</u>	<u>137,630</u>	<u>286,847</u>	<u>263,113</u>
Total operating expenses before general and administrative allocation	649,182	202,111	365,190	70,488	1,286,971	180,884	339,886	1,807,741	1,828,403
General and administrative allocation	72,180	22,472	40,604	7,837	143,093	(180,884)	37,791	-	-
Total operating expenses	<u>\$ 721,362</u>	<u>\$ 224,583</u>	<u>\$ 405,794</u>	<u>\$ 78,325</u>	<u>\$ 1,430,064</u>	<u>\$ -</u>	<u>\$ 377,677</u>	<u>\$ 1,807,741</u>	<u>\$ 1,828,403</u>

The accompanying notes are an integral part of these statements.

**THE SECOND STEP, INC.**

Statement of Functional Expenses  
For the Year Ended June 30, 2016

	Program Services				Supporting Services		Total	
	Residential	Children's Services	Community Programs	Outreach and Education	Total Program Services	General and Administrative		Institutional Advancement
<b>Expenses:</b>								
Salaries and related:								
Salaries	\$ 312,445	\$ 121,662	\$ 289,515	\$ 49,943	\$ 773,565	\$ 108,155	\$ 135,909	\$ 1,017,629
Payroll taxes	26,940	10,142	25,994	4,294	67,370	12,166	6,098	85,634
Employee benefits	19,914	13,634	18,172	-	51,720	10,503	12,147	74,370
Donated salaries	-	-	-	-	-	9,240	-	9,240
Total salaries and related	<u>359,299</u>	<u>145,438</u>	<u>333,681</u>	<u>54,237</u>	<u>892,655</u>	<u>140,064</u>	<u>154,154</u>	<u>1,186,873</u>
Program costs:								
Transitional assistance and other program expenses	22,830	22,954	44,847	-	90,631	688	-	91,319
Vehicle expense	11,277	392	1,538	-	13,207	-	-	13,207
Total program costs	<u>34,107</u>	<u>23,346</u>	<u>46,385</u>	<u>-</u>	<u>103,838</u>	<u>688</u>	<u>-</u>	<u>104,526</u>
Occupancy:								
Rent	57,183	9,981	29,428	-	96,592	11,043	17,652	125,287
Depreciation	64,052	-	-	-	64,052	556	-	64,608
Utilities	41,855	2,477	-	-	44,332	-	-	44,332
Repairs and maintenance	35,485	1,854	1,051	-	38,390	408	866	39,664
Total occupancy	<u>198,575</u>	<u>14,312</u>	<u>30,479</u>	<u>-</u>	<u>243,366</u>	<u>12,007</u>	<u>18,518</u>	<u>273,891</u>
Other costs:								
Professional services	8,025	1,650	11,686	-	21,361	23,200	3,735	48,296
Fundraising and community events	-	-	-	20,714	20,714	-	60,559	81,273
Donated legal services	-	-	11,550	-	11,550	-	-	11,550
Insurance	7,868	2,986	2,766	-	13,620	4,186	2,903	20,709
Printing and postage	199	42	934	14,236	15,411	919	17,735	34,065
Telecommunications	7,971	991	4,860	-	13,822	1,351	2,298	17,471
Miscellaneous	1,663	295	6,848	2,079	10,885	19,280	1,476	31,641
Office expenses	2,292	369	3,065	-	5,726	1,912	2,424	10,062
Advertising	549	-	80	-	629	-	699	1,328
Training and education	1,238	340	4,069	-	5,647	1,071	-	6,718
Total other costs	<u>29,805</u>	<u>6,673</u>	<u>45,858</u>	<u>37,029</u>	<u>119,365</u>	<u>51,919</u>	<u>91,829</u>	<u>263,113</u>
Total operating expenses before general and administrative allocation	621,786	189,769	456,403	91,266	1,359,224	204,678	264,501	1,828,403
General and administrative allocation	<u>78,379</u>	<u>23,921</u>	<u>57,532</u>	<u>11,504</u>	<u>171,336</u>	<u>(204,678)</u>	<u>33,342</u>	<u>-</u>
Total operating expenses	<u>\$ 700,165</u>	<u>\$ 213,690</u>	<u>\$ 513,935</u>	<u>\$ 102,770</u>	<u>\$ 1,530,560</u>	<u>\$ -</u>	<u>\$ 297,843</u>	<u>\$ 1,828,403</u>

The accompanying notes are an integral part of these statements.



## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

#### OPERATIONS AND NONPROFIT STATUS

The Second Step, Inc. (TSS) is a Massachusetts not for profit corporation founded in 1988. TSS is dedicated to adult and child survivors of domestic violence. Responding to each family's strengths and values, TSS partners to enhance the supportive community and identify pathways to physical and emotional healing, housing, and financial security. TSS works at the individual, community and societal levels to end domestic violence.

TSS is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). TSS is also exempt from state income taxes. Donors may deduct contributions made to TSS within the IRC requirements.

#### SIGNIFICANT ACCOUNTING POLICIES

TSS prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Revenue Recognition

Contract revenue is recorded over the contract period as services are provided. Program fees are also recorded as the services are provided. Unrestricted gifts, grants and contributions are recorded as revenue when received or unconditionally pledged. Special events revenue is recorded at the time of the event. Special events income received in advance of the event is recorded as deferred revenue. All other revenue is recorded as it is earned.

Restricted gifts, grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed.

#### Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and building improvements	40 years
Leasehold improvements	Lease term
Furniture and fixtures	5 - 10 years
Vehicles	5 - 10 years
Office equipment	3 - 10 years

Land is not depreciated.

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fair Value Measurements

TSS follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that TSS would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

TSS uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of TSS. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings and money market accounts. For the purpose of the statements of cash flows, management considers all highly liquid cash equivalents with an initial maturity of three months or less and no restrictions to be cash and cash equivalents.

##### Certificates of Deposit

Certificates of deposit (CDs) consist of four CDs as of June 30, 2017 and 2016. At June 30, 2017, CDs mature at various dates through April 3, 2018. At June 30, 2016, CDs matured at various dates through October 24, 2017. The CDs are classified in the accompanying statements of financial position based upon maturity dates.

## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Special Events

Special events are shown gross in the accompanying financial statements and the following is a summary for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Contributions and support	\$ 432,780	\$ 380,824
Event revenue	<u>19,936</u>	<u>24,585</u>
Total revenue	<u>452,716</u>	<u>405,409</u>
Direct expenses	19,936	24,585
Fundraising expenses	<u>61,990</u>	<u>57,718</u>
Total expenses	<u>81,926</u>	<u>82,303</u>
Total special events, net	<u>\$ 370,790</u>	<u>\$ 323,106</u>

##### Expense Allocations

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

##### Donated Goods and Services

Volunteers and other organizations contribute goods and services to TSS in support of various aspects of its programs. These services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies or by management. The value of these goods and services was \$37,720 and \$20,790 for the years ended June 30, 2017 and 2016, respectively, and was for salaries, legal services and utilities.

TSS receives a significant amount of other volunteer services and donated goods in various aspects of its programs. The value of these goods and services is not reflected in the accompanying financial statements, since the value is not ascertainable and does not meet the criteria for *Accounting for Contributions Received and Contributions Made* in accordance with U.S. GAAP.

##### Pledges Receivable

Pledges receivable consist of donor-restricted contributions designated for specific program purposes. Pledges are recorded at their net present value when unconditionally committed (see Note 2).

An allowance for uncollectible pledges receivable is recorded based on management's analysis of specific accounts and collection history. As of June 30, 2017 and 2016, there were no allowances for uncollectible accounts.

## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Funding

TSS received approximately \$363,000 and \$391,000 of its operating revenues and support from the U.S. Department of Housing and Urban Development (HUD) during the years ended June 30, 2017 and 2016, respectively.

TSS also received approximately \$32,000 and \$123,000 of its operating revenues and support from the Commonwealth of Massachusetts, Department of Children and Families during the years ended June 30, 2017 and 2016, respectively.

These grants and contracts have been expended in accordance with the terms contained in the respective agreements and are subject to possible final audit determination by these agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of TSS as of June 30, 2017 and 2016, or on its results of operations for the years then ended.

##### Advertising

TSS expenses advertising costs as they are incurred.

##### Subsequent Events

Subsequent events were evaluated through November 9, 2017, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

##### Income Taxes

TSS accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. TSS has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2017 and 2016. TSS's informational returns are subject to examination by the Federal and state jurisdictions.

##### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenues (expenses) includes capital and other peripheral activity.

## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 2. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 119,960	\$ 218,759
Due in one to five years	<u>20,000</u>	<u>85,000</u>
	139,960	303,759
Less - current portion	<u>119,960</u>	<u>218,759</u>
Long-term pledges receivable, net	<u>\$ 20,000</u>	<u>\$ 85,000</u>

The amount of discount on pledges due beyond one year is immaterial to the accompanying financial statements for the years ended June 30, 2017 and 2016, and has not been recorded.

Approximately 82% and 60% of the pledges receivable were due from three donors at June 30, 2017 and 2016, respectively.

### 3. NET ASSETS

#### Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restriction and are generally available for use by TSS. TSS has grouped its unrestricted net assets into the following categories:

**Operating** - represent funds available to carry on the operations of TSS.

**Property and Equipment** - reflect and account for the activities relating to TSS's property and equipment, net of related debt.

**Board Designated - Operating Reserve** - represent funds set aside by the Board of Directors to supplement operating cash flow needs. Withdrawals from this reserve require Board notification at the next Board meeting.

**Board Designated - Capital Asset Reserve** - represent funds set aside by the Board of Directors for property and equipment maintenance and acquisition.

**Board Designated - Program Reserve** - represent funds set aside by the Board of Directors for program funding.

Any withdrawals of the Capital Asset Reserve and Program Reserve require the prior approval of the Board of Directors. During fiscal years June 30, 2017 and 2016, TSS did not deposit or withdraw any funds from the above Board designated reserves.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds designated for a specific program, period of time, or capital purpose. These amounts are recorded as temporarily restricted net assets until they are expended for their designated purposes or as the time restrictions expire.

## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 3. NET ASSETS (Continued)

#### Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets are restricted for the following purposes as of June 30:

	<u>2017</u>	<u>2016</u>
Ailene R. Giglio Fund	\$ 244,241	\$ 273,877
Purpose	164,866	147,407
Time	<u>93,259</u>	<u>217,840</u>
	<u>\$ 502,366</u>	<u>\$ 639,124</u>

The Ailene R. Giglio Fund represents net proceeds from a bequest required by the donor to be maintained in a separate restricted fund (the Fund). The income and principal of the Fund may be expended to provide maintenance, repair, renovation, or expansion of a property that houses survivors of domestic violence (the House) or to establish permanent housing for survivors of domestic violence who are clients of TSS, including expenses associated with establishing permanent rental housing. The Fund is included in restricted cash and certificates of deposit in the accompanying statements of financial position as of June 30, 2017 and 2016.

If the House is sold, TSS is to use the net proceeds of the sale to purchase a new house, which will also be named the Ailene R. Giglio House, and create and display a sign on the front of the property stating the name as long as TSS owns the House, and place any available net proceeds after the mortgage of the House is paid into the Fund.

If the income is not spent for any of the costs indicated, at the end of each calendar year, funds up to 5% of the value of the Fund may be used for expenses related to programming costs of the House. During fiscal years 2017 and 2016, approximately \$30,000 and \$35,000, respectively, were withdrawn from the Fund.

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 130,000	\$ 130,000
Building and building improvements	2,258,397	2,258,397
Leasehold improvements	532,082	532,082
Furniture and fixtures	182,805	182,805
Vehicles	69,415	50,806
Office equipment	<u>48,897</u>	<u>48,897</u>
	3,221,596	3,202,987
Less - accumulated depreciation	<u>1,598,418</u>	<u>1,531,979</u>
Net property and equipment	<u>\$ 1,623,178</u>	<u>\$ 1,671,008</u>

Property and equipment are pledged as security for the contingent loans described in Note 6.

## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 5. LEASES

TSS leases its administrative space under an agreement that expires on May 31, 2022. The monthly rent was \$5,375 at June 30, 2017 and 2016. The facility lease requires TSS to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses.

TSS also rents space for its programs under an agreement that expires on June 30, 2018. The monthly rent was \$5,597 at June 30, 2017 and 2016.

Rent expense was \$131,664 and \$125,287 for the years ended June 30, 2017 and 2016, respectively. Remaining future minimum lease payments are as follows for the years ended June 30:

<u>Year</u>	<u>Amount</u>
2018	\$ 131,764
2019	\$ 65,800
2020	\$ 67,000
2021	\$ 68,200
2022	\$ 61,325

### 6. CONTINGENT LOANS

TSS has the following contingent loans:

- The Community Economic Development Assistance Corporation (CEDAC) has given TSS a loan in the amount of \$500,000 for the acquisition and rehabilitation of a program residence. TSS is required to maintain the property as housing for low to moderate-income women. This loan does not bear interest. There are annual payments due within 45 days of the end of the fiscal year, equal to the amount that gross cash receipts for the fiscal year just ended exceeds 105% of cash expenditures for the same period. No amounts were due as of June 30, 2017 and 2016. If on May 30, 2032, TSS continues to be in compliance with the terms of the agreement, TSS may request the term of the loan to be extended for additional ten-year periods. No interest will accrue on any outstanding amounts during any extension period. If TSS defaults on these obligations at any time, the total amount of principal and accrued interest becomes due on demand. This loan is secured by a building and equipment.
- The Massachusetts Housing Finance Agency, through the Department of Housing and Community Development (DHCD) Affordable Housing Trust Fund, has given TSS a loan in the amount of \$400,000 for the acquisition and rehabilitation of a program residence. TSS is required to maintain the property as housing for low to moderate-income women. The loan does not bear interest. The principal balance is due in full on May 1, 2032. If on May 1, 2032, TSS continues to be in compliance with the terms of the agreement, the term of the loan will be extended for additional ten-year periods. If TSS defaults on these obligations at any time, the total amount of principal becomes due on demand. This loan is secured by a building and equipment.

## THE SECOND STEP, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 6. CONTINGENT LOANS (Continued)

- The Newton Community Development Authority (NCDA) has provided TSS with a loan in the amount of \$300,000 for the acquisition and rehabilitation of a program residence. TSS is required to maintain the property as housing for eight low to moderate-income women. The loan accrues simple interest at 7%. There are annual payments of \$7,500, plus simple interest, due under the loan that may be deferred if TSS is in compliance with the terms of the agreement. TSS has deferred all payments at June 30, 2017. If on January 31, 2042, TSS continues to be in compliance with the terms of the agreement, the principal and accrued interest will be forgiven. If TSS defaults on these obligations at any time, the total amount of principal and accrued interest becomes due on demand. This loan is secured by a building and equipment.
- The Federal Home Loan Bank (FHLB) has provided TSS with a loan in the amount of \$80,000 for the acquisition and rehabilitation of a program residence. TSS is required to maintain the property as housing for low to moderate-income women. If TSS defaults on the obligation at any time, the total amount of principal and interest, as determined at the bank's discretion, becomes due on demand.
- NCDA has provided TSS with a loan in the amount of \$21,850 for de-leading and for performing all lead inspections on one of TSS's program residences. TSS is required to maintain the program residence as housing for income eligible households. This loan does not bear interest and is due upon sale or transfer of the program residence. This loan is secured by a mortgage on the program residence.

The contingent loans contain various covenants and restrictions on TSS as described in the agreements. TSS was in compliance with these covenants as of June 30, 2017 and 2016.

In the opinion of management, the conditions in the agreements will be met; accordingly, no accrued interest or currently due amounts have been recorded in the accompanying financial statements. Accrued interest due upon the default of the agreements would be approximately \$325,000 and \$304,500 as of June 30, 2017 and 2016, respectively.

The outstanding balances of the contingent loans are as follows at June 30 2017 and 2016:

CEDAC	\$ 500,000
DHCD	400,000
NCDA	321,850
FHLB	<u>80,000</u>
	<u>\$ 1,301,850</u>

### 7. RETIREMENT PLAN

TSS maintains a retirement plan under IRC Section 403(b) covering all employees. TSS did not make any contributions to the plan in fiscal year 2017 or 2016.

### 8. CONCENTRATION OF CREDIT RISK

TSS maintains its cash and CD balances in various banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At times during the year, cash and CD balances exceeded the insured amounts. TSS has not experienced any losses in such accounts. TSS believes it is not exposed to any significant credit risk on cash and cash equivalents.



**THE SECOND STEP, INC.**

Notes to Financial Statements  
June 30, 2017 and 2016

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**9. CONTINGENCY**

In the ordinary course of TSS's business, TSS is from time-to-time involved in disputes concerning a business or employment matters. While damages in connection with these disputes are possible, TSS denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is management's opinion that any potential settlement would not be material to the accompanying financial statements.