

STEPPINGSTONE FOUNDATION, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

The Steppingstone Mission Statement:

Founded in 1990, Steppingstone Foundation, Inc., is a non-profit organization that develops and implements programs, which prepare underserved schoolchildren for educational opportunities that lead to college success. Based on the premise that, regardless of circumstance, most children can achieve at high levels if they are prepared in a focused, demanding academic environment; all Steppingstone programs emphasize rigorous standards and achieve meaningful results.

STEPPINGSTONE FOUNDATION, INC.

Contents
June 30, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
Steppingstone Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Steppingstone Foundation, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2019 and 2018, 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

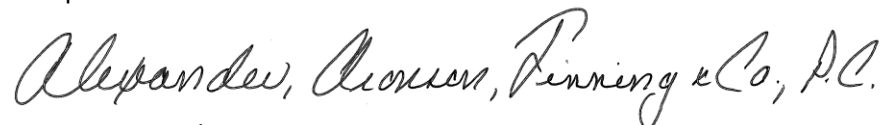
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 Steppingstone Foundation, Inc. as of June 30, 2019 and 2018, 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.



Boston, Massachusetts
November 25, 2019

STEPPINGSTONE FOUNDATION, INC.

 Statements of Financial Position
 June 30, 2019 and 2018

| Assets | 2019 | | | 2018 | | |
|---|-----------------------------------|--------------------------------|---------------------|-----------------------------------|--------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 554,588 | \$ 697,100 | \$ 1,251,688 | \$ 389,115 | \$ 941,867 | \$ 1,330,982 |
| Investments | 165,000 | - | 165,000 | 700,000 | - | 700,000 |
| Current portion of accounts and pledges receivable, net | 414,334 | 548,717 | 963,051 | 116,797 | 438,283 | 555,080 |
| Prepaid expenses and other | 114,106 | - | 114,106 | 99,390 | - | 99,390 |
| Total current assets | <u>1,248,028</u> | <u>1,245,817</u> | <u>2,493,845</u> | <u>1,305,302</u> | <u>1,380,150</u> | <u>2,685,452</u> |
| Investments | 1,169,022 | 1,546,079 | 2,715,101 | 830,156 | 1,470,897 | 2,301,053 |
| Pledges Receivable, net | - | 933,616 | 933,616 | - | 237,732 | 237,732 |
| Property and Equipment, net | 77,782 | - | 77,782 | 109,339 | - | 109,339 |
| Deposits | 101,178 | - | 101,178 | 90,050 | - | 90,050 |
| Total assets | <u>\$ 2,596,010</u> | <u>\$ 3,725,512</u> | <u>\$ 6,321,522</u> | <u>\$ 2,334,847</u> | <u>\$ 3,088,779</u> | <u>\$ 5,423,626</u> |
| Liabilities and Net Assets | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable, accrued expenses and other | \$ 137,379 | \$ - | \$ 137,379 | \$ 127,403 | \$ - | \$ 127,403 |
| Deferred revenue | 147,553 | - | 147,553 | 152,945 | - | 152,945 |
| Total current liabilities | <u>284,932</u> | <u>-</u> | <u>284,932</u> | <u>280,348</u> | <u>-</u> | <u>280,348</u> |
| Deferred Rent | 222,881 | - | 222,881 | 236,995 | - | 236,995 |
| Total liabilities | <u>507,813</u> | <u>-</u> | <u>507,813</u> | <u>517,343</u> | <u>-</u> | <u>517,343</u> |
| Net Assets: | | | | | | |
| Without donor restrictions: | | | | | | |
| Operating | 522,351 | - | 522,351 | 474,262 | - | 474,262 |
| Board designated - BJC Fund for Scholars | 1,488,064 | - | 1,488,064 | 1,233,903 | - | 1,233,903 |
| Property and equipment | 77,782 | - | 77,782 | 109,339 | - | 109,339 |
| Total without donor restrictions | <u>2,088,197</u> | <u>-</u> | <u>2,088,197</u> | <u>1,817,504</u> | <u>-</u> | <u>1,817,504</u> |
| With donor restrictions | - | 3,725,512 | 3,725,512 | - | 3,088,779 | 3,088,779 |
| Total net assets | <u>2,088,197</u> | <u>3,725,512</u> | <u>5,813,709</u> | <u>1,817,504</u> | <u>3,088,779</u> | <u>4,906,283</u> |
| Total liabilities and net assets | <u>\$ 2,596,010</u> | <u>\$ 3,725,512</u> | <u>\$ 6,321,522</u> | <u>\$ 2,334,847</u> | <u>\$ 3,088,779</u> | <u>\$ 5,423,626</u> |

The accompanying notes are an integral part of these statements.

STEPPINGSTONE FOUNDATION, INC.

 Statements of Activities and Changes in Net Assets
 For the Years Ended June 30, 2019 and 2018

| | 2019 | | | 2018 | | |
|--|----------------------------|-------------------------|--------------|----------------------------|-------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Revenue and Support: | | | | | | |
| Fundraising events | \$ 1,053,247 | \$ 579,227 | \$ 1,632,474 | \$ 1,005,609 | \$ 496,597 | \$ 1,502,206 |
| Less - cost of direct benefit to donors | (97,634) | - | (97,634) | (128,141) | - | (128,141) |
| Net fundraising event revenue | 955,613 | 579,227 | 1,534,840 | 877,468 | 496,597 | 1,374,065 |
| Contributions and grants | 2,445,503 | 719,385 | 3,164,888 | 3,284,237 | 851,714 | 4,135,951 |
| Conference | 310,150 | - | 310,150 | 284,700 | - | 284,700 |
| Membership income | 146,831 | - | 146,831 | 134,746 | - | 134,746 |
| Interest and dividend income | 90,244 | - | 90,244 | 11,739 | - | 11,739 |
| Other income | 73,319 | - | 73,319 | 93,860 | - | 93,860 |
| Investment return designated for current operations | 36,647 | - | 36,647 | - | - | - |
| In-kind revenue | 4,028 | - | 4,028 | 8,980 | - | 8,980 |
| Satisfaction of time restrictions - fundraising events | 546,802 | (546,802) | - | 525,686 | (525,686) | - |
| Satisfaction of time restrictions - other | 230,020 | (230,020) | - | 401,707 | (401,707) | - |
| Satisfaction of purpose restrictions | 470,490 | (470,490) | - | 220,786 | (220,786) | - |
| Total operating revenue and support | 5,309,647 | 51,300 | 5,360,947 | 5,843,909 | 200,132 | 6,044,041 |
| Operating Expenses: | | | | | | |
| Program services | | | | | | |
| The Steppingstone Academy | 2,184,097 | - | 2,184,097 | 2,197,568 | - | 2,197,568 |
| College Success Academy | 954,140 | - | 954,140 | 965,034 | - | 965,034 |
| National Partnership for Educational Access | 490,789 | - | 490,789 | 468,741 | - | 468,741 |
| Replication | 14,519 | - | 14,519 | 15,365 | - | 15,365 |
| Total program services | 3,643,545 | - | 3,643,545 | 3,646,708 | - | 3,646,708 |
| Supporting services: | | | | | | |
| General and administrative | 645,628 | - | 645,628 | 466,621 | - | 466,621 |
| Development | 719,462 | - | 719,462 | 742,124 | - | 742,124 |
| Total supporting services | 1,365,090 | - | 1,365,090 | 1,208,745 | - | 1,208,745 |
| Total operating expenses | 5,008,635 | - | 5,008,635 | 4,855,453 | - | 4,855,453 |
| Changes in net assets from operations | 301,012 | 51,300 | 352,312 | 988,456 | 200,132 | 1,188,588 |
| Other Revenues (Expenses): | | | | | | |
| Endowment contributions | - | 545,567 | 545,567 | - | 1,125,000 | 1,125,000 |
| Investment returns | (30,319) | 77,013 | 46,694 | 962 | 18,100 | 19,062 |
| Capital grant | - | - | - | 32,014 | - | 32,014 |
| Cancellation of pledges | - | (500) | (500) | - | (10,000) | (10,000) |
| Investment return designated for current operations | - | (36,647) | (36,647) | - | - | - |
| Total other revenues (expenses) | (30,319) | 585,433 | 555,114 | 32,976 | 1,133,100 | 1,166,076 |
| Changes in net assets | 270,693 | 636,733 | 907,426 | 1,021,432 | 1,333,232 | 2,354,664 |
| Net Assets: | | | | | | |
| Beginning of year | 1,817,504 | 3,088,779 | 4,906,283 | 796,072 | 1,755,547 | 2,551,619 |
| End of year | \$ 2,088,197 | \$ 3,725,512 | \$ 5,813,709 | \$ 1,817,504 | \$ 3,088,779 | \$ 4,906,283 |

The accompanying notes are an integral part of these statements.

STEPPINGSTONE FOUNDATION, INC.Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 907,426 | \$ 2,354,664 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 31,557 | 21,725 |
| Endowment contributions | (545,567) | (1,125,000) |
| Unrealized (gains) losses on investments | 88,219 | (10,297) |
| Capital grant | - | (32,014) |
| Cancellation of pledge | 500 | 10,000 |
| Bad debt | 12,054 | - |
| Changes in operating assets and liabilities: | | |
| Accounts and pledges receivable | (570,842) | 895,280 |
| Prepaid expenses and other | (14,716) | 2,428 |
| Deposits | (11,128) | 19,453 |
| Accounts payable, accrued expenses and other | 9,976 | 58,820 |
| Deferred revenue | (5,392) | (599) |
| Deferred rent | (14,114) | 12,731 |
| Net cash provided by (used in) operating activities | <u>(112,027)</u> | <u>2,207,191</u> |
| Cash Flows from Investing Activities: | | |
| Acquisition of property and equipment | - | (32,014) |
| Sale of investments | 2,200,524 | - |
| Purchase of investments | <u>(2,167,791)</u> | <u>(2,990,756)</u> |
| Net cash provided by (used in) investing activities | <u>32,733</u> | <u>(3,022,770)</u> |
| Cash Flows from Financing Activities: | | |
| Endowment contributions | - | 1,125,000 |
| Capital grant | <u>-</u> | <u>32,014</u> |
| Net cash provided by investing activities | <u>-</u> | <u>1,157,014</u> |
| Net Change in Cash and Cash Equivalents | (79,294) | 341,435 |
| Cash and Cash Equivalents | | |
| Beginning of year | <u>1,330,982</u> | <u>989,547</u> |
| End of year | <u><u>\$ 1,251,688</u></u> | <u><u>\$ 1,330,982</u></u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u><u>\$ 4,659</u></u> | <u><u>\$ 35</u></u> |
| Cash paid for income taxes | <u><u>\$ 10,113</u></u> | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of these statements.

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STEPPINGSTONE FOUNDATION, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019

| | Program Services | | | | Supporting Services | | | Total |
|---|---------------------------|-------------------------|---|------------------|------------------------|----------------------------|-------------------|---------------------|
| | The Steppingstone Academy | College Success Academy | National Partnership for Educational Access | Replication | Total Program Services | General and Administrative | Development | |
| Payroll and Related: | | | | | | | | |
| Staff and faculty salaries | \$ 1,174,181 | \$ 538,911 | \$ 205,613 | \$ 10,244 | \$ 1,928,949 | \$ 308,958 | \$ 405,562 | \$ 2,643,469 |
| Benefits and taxes | 226,382 | 108,371 | 50,360 | 1,587 | 386,700 | 55,630 | 67,941 | 510,271 |
| Total payroll and related | <u>1,400,563</u> | <u>647,282</u> | <u>255,973</u> | <u>11,831</u> | <u>2,315,649</u> | <u>364,588</u> | <u>473,503</u> | <u>3,153,740</u> |
| Other: | | | | | | | | |
| Occupancy | 310,445 | 113,219 | 45,770 | 587 | 470,021 | 48,117 | 68,655 | 586,793 |
| Professional fees | 9,223 | 2,185 | 12,964 | 11 | 24,383 | 182,992 | 56,616 | 263,991 |
| Scholar and family services | 203,821 | 32,700 | - | - | 236,521 | - | - | 236,521 |
| Conference | - | - | 143,962 | - | 143,962 | - | - | 143,962 |
| Meetings and travel | 12,598 | 9,011 | 2,846 | 8 | 24,463 | 20,412 | 93,271 | 138,146 |
| Scholar transportation | 63,813 | 63,399 | - | - | 127,212 | - | - | 127,212 |
| Classroom facility | 99,861 | 24,239 | - | - | 124,100 | - | - | 124,100 |
| Event expense | - | - | - | - | - | - | 97,634 | 97,634 |
| Office equipment and supplies | 23,234 | 7,299 | 2,558 | 32 | 33,123 | 3,204 | 5,636 | 41,963 |
| Information technology | 16,721 | 4,680 | 7,688 | 20 | 29,109 | 2,039 | 5,170 | 36,318 |
| Program evaluation | 1,221 | 34,123 | - | - | 35,344 | - | - | 35,344 |
| Depreciation | 17,781 | 7,702 | 789 | 10 | 26,282 | 830 | 4,445 | 31,557 |
| Insurance | 13,378 | 5,166 | 1,591 | 20 | 20,155 | 8,254 | 2,387 | 30,796 |
| Books and classroom materials | 9,787 | 2,502 | - | - | 12,289 | - | - | 12,289 |
| Bad debt | - | - | 3,198 | - | 3,198 | - | 8,856 | 12,054 |
| Miscellaneous | 467 | 107 | 10,925 | - | 11,499 | 420 | 120 | 12,039 |
| Taxes | - | - | - | - | - | 10,113 | - | 10,113 |
| Interest expense | - | - | - | - | - | 4,659 | - | 4,659 |
| Contributions | - | - | - | 2,000 | 2,000 | - | - | 2,000 |
| Recruitment and admission | 1,010 | - | - | - | 1,010 | - | - | 1,010 |
| Total other | <u>783,360</u> | <u>306,332</u> | <u>232,291</u> | <u>2,688</u> | <u>1,324,671</u> | <u>281,040</u> | <u>342,790</u> | <u>1,948,501</u> |
| In-Kind | <u>174</u> | <u>526</u> | <u>2,525</u> | <u>-</u> | <u>3,225</u> | <u>-</u> | <u>803</u> | <u>4,028</u> |
| Total expenses | 2,184,097 | 954,140 | 490,789 | 14,519 | 3,643,545 | 645,628 | 817,096 | 5,106,269 |
| Less - cost of direct benefit to donors | - | - | - | - | - | - | (97,634) | (97,634) |
| Total expenses per statements of activities and changes in net assets | <u>\$ 2,184,097</u> | <u>\$ 954,140</u> | <u>\$ 490,789</u> | <u>\$ 14,519</u> | <u>\$ 3,643,545</u> | <u>\$ 645,628</u> | <u>\$ 719,462</u> | <u>\$ 5,008,635</u> |

The accompanying notes are an integral part of these statements.

STEPPINGSTONE FOUNDATION, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2018

| | Program Services | | | | Supporting Services | | | |
|---|---------------------------|-------------------------|---|------------------|------------------------|----------------------------|-------------------|---------------------|
| | The Steppingstone Academy | College Success Academy | National Partnership for Educational Access | Replication | Total Program Services | General and Administrative | Development | Total |
| Payroll and Related: | | | | | | | | |
| Staff and faculty salaries | \$ 1,252,069 | \$ 523,431 | \$ 217,619 | \$ 10,111 | \$ 2,003,230 | \$ 251,258 | \$ 425,256 | \$ 2,679,744 |
| Benefits and taxes | 262,672 | 129,207 | 44,280 | 1,495 | 437,654 | 55,808 | 85,859 | 579,321 |
| Total payroll and related | <u>1,514,741</u> | <u>652,638</u> | <u>261,899</u> | <u>11,606</u> | <u>2,440,884</u> | <u>307,066</u> | <u>511,115</u> | <u>3,259,065</u> |
| Other: | | | | | | | | |
| Occupancy | 304,094 | 104,888 | 44,157 | 1,148 | 454,287 | 46,463 | 73,122 | 573,872 |
| Professional fees | 6,474 | 13,464 | 11,288 | 17 | 31,243 | 67,652 | 56,971 | 155,866 |
| Scholar and family services | 120,888 | 30,698 | - | - | 151,586 | - | - | 151,586 |
| Conference | - | - | 127,002 | - | 127,002 | - | - | 127,002 |
| Meetings and travel | 11,957 | 7,114 | 1,909 | 421 | 21,401 | 25,368 | 75,473 | 122,242 |
| Scholar transportation | 60,457 | 61,562 | - | - | 122,019 | - | - | 122,019 |
| Classroom facility | 92,822 | 31,870 | - | - | 124,692 | - | - | 124,692 |
| Event expense | - | - | - | - | - | - | 128,141 | 128,141 |
| Office equipment and supplies | 24,826 | 6,768 | 2,668 | 71 | 34,333 | 3,233 | 7,094 | 44,660 |
| Information technology | 17,850 | 5,093 | 10,461 | 41 | 33,445 | 2,131 | 5,602 | 41,178 |
| Program evaluation | 482 | 34,038 | - | - | 34,520 | - | - | 34,520 |
| Depreciation | 12,911 | 2,633 | 782 | 20 | 16,346 | 823 | 4,556 | 21,725 |
| Insurance | 13,296 | 4,828 | 1,575 | 41 | 19,740 | 8,240 | 2,608 | 30,588 |
| Books and classroom materials | 12,934 | 3,155 | - | - | 16,089 | - | - | 16,089 |
| Miscellaneous | 2,514 | 126 | 7,000 | - | 9,640 | 459 | 2,443 | 12,542 |
| Interest expense | - | - | - | - | - | 5,186 | - | 5,186 |
| Contributions | - | - | - | 2,000 | 2,000 | - | - | 2,000 |
| Recruitment and admission | 1,187 | 454 | - | - | 1,641 | - | - | 1,641 |
| Total other | <u>682,692</u> | <u>306,691</u> | <u>206,842</u> | <u>3,759</u> | <u>1,199,984</u> | <u>159,555</u> | <u>356,010</u> | <u>1,715,549</u> |
| In-Kind | <u>135</u> | <u>5,705</u> | <u>-</u> | <u>-</u> | <u>5,840</u> | <u>-</u> | <u>3,140</u> | <u>8,980</u> |
| Total expenses | 2,197,568 | 965,034 | 468,741 | 15,365 | 3,646,708 | 466,621 | 870,265 | 4,983,594 |
| Less - cost of direct benefit to donors | - | - | - | - | - | - | (128,141) | (128,141) |
| Total expenses per statements of activities and changes in net assets | <u>\$ 2,197,568</u> | <u>\$ 965,034</u> | <u>\$ 468,741</u> | <u>\$ 15,365</u> | <u>\$ 3,646,708</u> | <u>\$ 466,621</u> | <u>\$ 742,124</u> | <u>\$ 4,855,453</u> |

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The Steppingstone Foundation, Inc. (the Foundation) is a nonprofit organization that was established and incorporated on May 11, 1990. Its primary purpose is to provide educational opportunities that lead to college success for underserved schoolchildren regardless of their race, gender, or ethnic background. The Steppingstone Academy (TSA) in Boston targets motivated, underserved fourth- and fifth-grade students and provides these students with an intensive fourteen-month after-school and summer academic program designed to assist these students in gaining admission to independent and public exam schools in the sixth- and seventh-grades, respectively. After completing the fourteen-month academic component, support services such as mentoring, counseling, and college guidance are provided to ensure that the students graduate from high school and complete college.

The Scholars Program in Philadelphia was initiated in 1998 and was modeled after The Steppingstone Academy. In 2004, the Scholars Program became a separate corporate entity, Steppingstone Scholars, Inc., with the Foundation as the sole member of the corporation. Effective January 1, 2011, the Foundation resigned as sole member, and Steppingstone Scholars, Inc. continued as an affiliate of the Foundation. In 2006, Hartford Youth Scholars Foundation became an affiliate member. Both affiliate members have licensed The Steppingstone Academy, which is based on the Boston Program model. Through its Replication program, the Foundation provides management and program support to both Steppingstone Scholars, Inc. and Hartford Youth Scholars Foundation as outlined in its Affiliate Memorandum of Understanding.

In 2007, the Foundation launched the National Partnership for Educational Access (NPEA), a membership association for programs working in collaboration with college preparatory schools to increase educational opportunities for motivated underserved students. NPEA members include education nonprofits, schools, and colleges and universities located throughout the country. NPEA members share best practices, network, receive professional development, and can access educational services for their students as a benefit of participating in NPEA.

In 2010, the Foundation launched the College Success Academy (CSA), a program that admits hardworking fourth graders in Boston public K-8 schools. The program includes academic, socioemotional, and college readiness services during the summer and after-school during the academic year starting the summer before fifth grade and continuing until eighth grade. When Scholars reach ninth grade, support services such as mentoring, counseling, and college guidance are provided to ensure that the students graduate from high school and complete college.

SIGNIFICANT ACCOUNTING POLICIES

The Foundation 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 footnotes are to the FASB Accounting Standards Codification (ASC).

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard

In fiscal year 2019, the Foundation adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Foundation's financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three categories "unrestricted", "temporarily restricted" and "permanently restricted" net assets.
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date has been included in the notes.
- A more detailed explanation of the methods used to allocate costs among program and supporting (general and administrative and development) functions has been included in the notes to the financial statements.

The Foundation has adjusted the presentation of these statements accordingly. The adoption of this ASU did not impact the Foundation's net asset balance, results of operations, or cash flows for the years ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosure about its liquidity and availability of resources for the fiscal year 2018 financial statements.

Classification and Reporting of Net Assets

The Foundation has the following net asset classes:

- **Net assets without donor restrictions** represent the portion of net assets of the Foundation that are not restricted by donor-imposed stipulations and are generally available for use by the Foundation. The Foundation has grouped its net assets without donor restrictions into the following categories:

Operating represents funds available to carry on the operations of the Foundation.

Board designated: Brian J. Conway Fund (BJC Fund) for Scholars represents funds set aside by the Board of Directors to be used for working capital with Board approval.

Property and equipment reflect and account for the activities relating to the Foundation's property and equipment.

- **Net assets with donor restrictions** represent contributions and grants received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use without donor restrictions in future years (time restricted). Net assets with donor restrictions also include endowment funds accumulated from donor-restricted gifts. Earnings from these gifts may be used for operations, but the principal may not be spent. In accordance with Massachusetts law, all earnings, including interest and dividends, and appreciation of a donor-restricted endowment are net assets with donor restrictions subject to expenditure for a specified purpose until appropriated by the Board of Directors, and are released to net assets without donor restrictions based on the Foundation's investment spending policy (see Note 4).

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and Reporting of Net Assets (Continued)

Net assets with donor restrictions are restricted for the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose or time: | | |
| Time - Annual Fundraising Gala | \$ 601,579 | \$ 569,154 |
| Time - Other* | 304,701 | 286,567 |
| College Services | 172,794 | - |
| Compensation/Staffing | 154,609 | - |
| Brian J. Conway Fund for Scholars - Time | 95,260 | 155,861 |
| Campaign Consulting | 70,000 | - |
| Scholarship Fund | 51,484 | 100,000 |
| Program Evaluation and Strategic Plan | 43,853 | 178,656 |
| Michael P. Danziger Teaching Fellowship | 42,835 | 362,607 |
| College Success Academy | 41,222 | 91,625 |
| Visual Thinking Strategies | 40,819 | 54,407 |
| Steppingstone Academy | 25,335 | 89,873 |
| Kelly D. Glew Fund | 24,263 | 24,250 |
| Uniforms/Dresses | 266 | 266 |
| National Partnership for Educational Access | - | <u>36,000</u> |
| | <u>1,669,020</u> | <u>1,949,266</u> |
| Subject to the Foundation's endowment spending policy and appropriation: | | |
| Investment in perpetuity (including amounts above the original gift amounts of \$2,010,048 and \$1,125,000 as of June 30, 2019 and 2018, respectively) | <u>2,056,492</u> | <u>1,139,513</u> |
| | <u>\$ 3,725,512</u> | <u>\$ 3,088,779</u> |

* \$200,000 of the above time - other amount at June 30, 2018, was restricted for future time periods and was donated by the sponsor of the Berylson Academy @ Steppingstone program. This amount was released when the time restrictions were satisfied in fiscal year 2019.

Investment in perpetuity – original gift amounts are restricted for the following purposes at June 30:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| General endowment | \$ 1,670,567 | \$ 1,125,000 |
| Michael P. Danziger Teaching Fellowship endowment | <u>339,481</u> | <u>-</u> |
| | <u>\$ 2,010,048</u> | <u>\$ 1,125,000</u> |

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and Reporting of Net Assets (Continued)

There were \$339,481 of net assets with donor restrictions subject to expenditure for the Michael P. Danziger Teaching Fellowship that were re-designated by donors to Michael P. Danziger Teaching Fellowship Endowment Fund during fiscal year 2019.

Use of Estimates

The preparation of financial statements in conformity 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include checking and money market accounts.

Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable consist of contributions and grants with and without donor restrictions intended for the current fiscal year and received after year-end, and pledges for contributions expected to be received in future periods. An allowance for doubtful pledges is provided based upon management's judgment of potential defaults, if any. Management determines the allowance by identifying doubtful pledges and by using historical experience applied to an aging of pledges. If a pledge is deemed uncollectible, it is written off. Recoveries of pledges previously written off are recorded as contributions when received. An allowance for doubtful pledges of \$6,400 was recorded at June 30, 2019. No allowance for doubtful pledges was recorded at June 30, 2018.

Investments

The Foundation values its investments at estimated fair value (see Note 4).

Investment income from the investments without donor restrictions is reported as operating revenue and support. Investment income, net of fees, realized gains (losses), and unrealized gains (losses) from the endowment and Board-designated investments is reported as investment returns in other revenues.

Fair Value Measurements

The Foundation 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 the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Foundation 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 the Foundation. 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 at the measurement date.

Level 2 - Inputs other than quoted prices 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.

Property and Equipment

Property and equipment consist of office equipment, furniture and capitalized software and are recorded at cost or fair value at the date of donation. Property and equipment are depreciated over the estimated useful lives of the respective assets (three to ten years) using the straight-line method (see Note 5).

Revenue Recognition

Revenue earned from sponsorship or attendance at fundraising events is recognized at the time of the event. Expenses incurred in connection with an event that provides direct benefit to the donors are charged against the revenue earned from the event.

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at 1.5%, which is commensurate with the risk involved (see Note 3). Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions and grants received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class.

The Foundation reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either 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 and changes in net assets as net assets released from restrictions.

Gifts of items other than cash or investments represent in-kind contributions, which are recorded as received or, if related to a fundraising event, at the time of the event.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Conference revenue is recognized in the period in which the event takes place. Membership income is recognized over each member's membership year. Interest income is recognized as it is earned and dividend income is recorded at the ex-dividend date. All other income is recognized as it is earned.

In-Kind Contributions

The Foundation receives in-kind goods and professional services in support of various aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by management and the donors. During the fiscal years ended June 30, 2019 and 2018, respectively, the Foundation received \$10,970 and \$9,440 of in-kind contributions, including \$6,942 and \$460 which is included in fundraising events revenue and cost of direct benefit to donors on the accompanying statements of activities and changes in net assets (see below).

In-kind contributions include the following for the fiscal years ended June 30:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|------------------|-----------------|
| Food and beverage | \$ 7,142 | \$ - |
| Fundraising expenses | 3,328 | - |
| Program materials and services | 500 | 179 |
| Donated salaries | - | 5,661 |
| Staff experiences | - | 3,140 |
| Gala prizes | - | 460 |
| | <u>\$ 10,970</u> | <u>\$ 9,440</u> |

The Foundation receives services of many volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since it does not meet the recognition criteria in accordance with U.S. GAAP.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Amounts representing the ticket value received in advance of a fundraising event are recorded as deferred revenue until the event is held.

Conference, membership, and other income not yet earned as of June 30, 2019 and 2018, is included in deferred revenue on the accompanying statements of financial position.

Income Tax Status and Tax Positions

The Foundation 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). The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the requirements of the IRC.

The Foundation 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. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2019 and 2018. The Foundation's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Subsequent Events

The Foundation has evaluated subsequent events through November 25, 2019, when the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Expense Allocation

Expenses related directly to a function are distributed to that function. The financial statements contain certain categories of expenses that are not directly attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related, occupancy, insurance, office equipment and supplies, information technology and depreciation, which are allocated based on estimates of time and effort.

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 revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Other revenues (expenses) includes endowment, investment, and capital activity.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. CONCENTRATIONS

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

The following funders represent concentrations in accounts and pledges receivable as of June 30:

| <u>Funder</u> | <u>2019</u> | <u>2018</u> |
|---------------|-------------|-------------|
| A | 56 % | - % |
| B | - % | 10% |

The following funders represent concentrations in operating revenue and support and other revenues for the years ended June 30:

| <u>Funder</u> | <u>2019</u> | <u>2018</u> |
|---------------|-------------|-------------|
| A | 19% | -% |
| C | - % | 17 % |

Pledges from Board members represent approximately 66% and 35% of the outstanding pledges receivable as of June 30, 2019 and 2018, respectively (see Note 3).

3. PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are expected to be collected as follows at June 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|-------------------|
| Less than one year | \$ 1,220,451 | \$ 555,080 |
| One to five years | <u>694,434</u> | <u>245,986</u> |
| | 1,914,885 | 801,066 |
| Less - reserve for doubtful pledges | 6,400 | - |
| Less - unamortized discount | <u>11,818</u> | <u>8,254</u> |
| | <u>\$ 1,896,667</u> | <u>\$ 792,812</u> |

Long-term pledges receivable in the accompanying statement of financial position as of June 30, 2019, include \$251,000 of endowment restricted pledges which are due in the following fiscal year. These have been reflected as long-term pledges receivable based on the permanent restriction of the gifts. Long-term pledges receivable in the accompanying statement of financial position as of June 30, 2019, also include \$307,000 of endowment restricted long-term pledges, net of discount.

During fiscal years 2019 and 2018, the Foundation determined that prior year pledge commitments totaling \$500 and \$10,000, respectively, were not collectible. The reduction in pledges receivable is reflected as cancelled pledges in the accompanying statements of activities and changes in net assets for the years ended June 30, 2019 and 2018.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

4. INVESTMENTS AND SPENDING POLICY

The Foundation adheres to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of a restricted endowment fund to be held in perpetuity as the institution determines is prudent for the uses, benefits, purposes, and duration for which the restricted endowment fund is established. The assets in a restricted endowment fund to be held in perpetuity are donor-restricted assets until appropriated for expenditure by the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that aim to provide a level of support for the Foundation and its programs, while maintaining or enhancing the purchasing power of the endowment in accordance with UPMIFA. Under the investment policy, the endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment is maintained and rebalanced accordingly, if necessary. The Foundation relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends).

The Foundation has a policy of appropriating for operations each year a percentage of the rolling average of the prior twelve quarter-end fair values ending June of the fiscal year prior to which the distribution is planned. During fiscal year 2019, there was an appropriation in the amount of \$36,647. There was no appropriation during fiscal year 2018 as the spending policy allows for an appropriation percentage of 3.5% that commenced beginning in fiscal year 2019.

In addition to its endowment net assets with donor restrictions held in perpetuity, the Foundation will apply its spending policy to the Michael P. Danziger Teaching Fellowship Endowment Fund net assets starting in fiscal year 2020.

In addition to its endowment net assets with donor restrictions held in perpetuity, the Foundation applies its investment strategy to both the Board designated BJC Fund and the donor restricted Michael P. Danziger Teaching Fellowship net assets with donor restrictions.

The following is a summary of investments at fair value as of June 30, (see Note 1):

| | <u>2019</u> | <u>2018</u> |
|--------------------------|-----------------------------|-----------------------------|
| Mutual Funds: | | |
| Equity Mutual Fund | \$ 2,429,361 | \$ 1,010,166 |
| Money Market Mutual Fund | 450,740 | 1,956,185 |
| Government Money Market | - | 109 |
| Publicly Traded Stocks | - | 34,593 |
| | <u> </u> | <u> </u> |
| Total investments | <u>\$ 2,880,101</u> | <u>\$ 3,001,053</u> |

Investments are classified as long-term due to management's intent to hold these investments for long-term purposes, except for Board-designated investments that management expects will be liquidated and used for operations in the following fiscal year. Investments are not insured and are subject to ongoing market fluctuations.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

4. INVESTMENTS AND SPENDING POLICY (Continued)

Investment returns consist of the following for the years ended June 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|------------------|------------------|
| Net unrealized gains (losses) | \$ (88,219) | \$ 10,297 |
| Interest and dividends | <u>134,913</u> | <u>8,765</u> |
| | <u>\$ 46,694</u> | <u>\$ 19,062</u> |

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|------------------|-------------------|
| Furniture | \$ 218,161 | \$ 224,697 |
| Office equipment | 75,958 | 75,958 |
| Website | <u>46,076</u> | <u>46,076</u> |
| | 340,195 | 346,731 |
| Less - accumulated depreciation | <u>262,413</u> | <u>237,392</u> |
| | <u>\$ 77,782</u> | <u>\$ 109,339</u> |

Depreciation expense was \$31,557 and \$21,725 for the fiscal years ended June 30, 2019 and June 30, 2018, respectively.

6. OPERATING LEASES

In June 2014, the Foundation entered into a lease agreement for new office space, which commenced in December 2014. This lease called for free rent through April 2015, at which time monthly rent payments commenced. This lease expires in April 2025. There is an option to extend the term of the lease for an additional ten years. In accordance with ASC Topic, *Leases*, the Foundation records the related rent expense on a straight-line basis over the life of the lease. As of June 30, 2019 and 2018, the Foundation recorded \$236,534 and \$236,995, respectively, of deferred rent in the accompanying statements of financial position. At June 30, 2019, the current portion of deferred rent of \$13,653 is included in accounts payable, accrued expenses and other in the accompanying statement of financial position. The Foundation also leases parking spaces from the landlord.

Total rent expense under the lease, including parking and other occupancy costs, was \$529,008 and \$528,180 for the years ended June 30, 2019 and 2018, respectively, and is included in occupancy in the accompanying statements of functional expenses.

In addition, the Foundation has operating leases for various office equipment with monthly lease payments totaling \$2,998, expiring through March 2023. Total rent expense for office equipment under these leases was \$34,889 and \$29,823 for the years ended June 30, 2019 and 2018, respectively, and is included in office equipment and supplies in the accompanying statements of functional expenses.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

6. OPERATING LEASES (Continued)

Following is a schedule of future minimum lease payments for the years ending June 30:

| | <u>Facility</u> | <u>Equipment</u> |
|------|---------------------|-------------------|
| 2020 | \$ 485,623 | \$ 35,978 |
| 2021 | 498,815 | 29,803 |
| 2022 | 512,007 | 23,457 |
| 2023 | 525,199 | 17,109 |
| 2024 | 530,696 | - |
| 2025 | <u>398,022</u> | <u>-</u> |
| | <u>\$ 2,950,362</u> | <u>\$ 106,347</u> |

7. LINE OF CREDIT AGREEMENTS

The Foundation had a campaign bridge facility line of credit agreement with a bank, which allowed for borrowings of 33% of the portion of multi-year pledges due within two years, up to \$750,000. Borrowings were payable on demand, bore interest at the U.S. prime rate plus one percent (6.00% at June 30, 2018), and were secured by all assets of the Foundation. This agreement was renewed through January 16, 2018, in an agreement dated February 23, 2017, and extended through July 10, 2018, at which time the Foundation entered into a new agreement (see below).

In July 2018, the Foundation entered into a new line of credit agreement which allows for borrowings of 95% of available cash collateral, up to \$750,000. Borrowings are due and payable on June 16, 2020, bear interest at the U.S. prime rate minus one percent (4.5% at June 30, 2019), and are secured by all assets of the Foundation. This line of credit is secured by a \$500,000 certificate of deposit in the name of a member of the Board of Directors (see Note 8), which is held at the same bank.

There were no outstanding balances on the above line of credit agreements at June 30, 2019 and 2018.

In connection with the above line of credit agreements, the Foundation is required to comply with certain covenants. As of June 30, 2019 and 2018, the Foundation was in compliance with these covenants.

8. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is Head of School at a school where the Foundation leases program space. The lease is negotiated annually with the facilities department of the school. The total cost of the lease was \$73,170 and \$74,461 for the years ended June 30, 2019 and 2018, respectively.

The Foundation's line of credit (see Note 7) is partially secured by a certificate of deposit in the name of a member of the Board of Directors.

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

9. RETIREMENT PLANS

In 1999, the Foundation established a defined contribution retirement plan and a tax deferred annuity plan covering substantially all employees. Both plans allow employees to make voluntary contributions subject to IRC limits.

In March 2014, the Foundation established a new defined contribution retirement plan under Section 403(b) (the Plan). Management is in the process of terminating the two existing plans and rolling the plans' assets into the new plan. The Foundation's contribution to the Plan is equal to the employee's contribution with a limit based on length of service for eligible employees. The Foundation's contributions to the Plan for the years ended June 30, 2019 and 2018, totaled \$74,829 and \$81,315, respectively, and are included in benefits and taxes in the accompanying statements of functional expenses. The plan allows employees to make supplementary voluntary contributions subject to IRC limits.

10. ENDOWMENT

The Foundation's endowment was established in October 2017 and consists of donor-restricted funds established to generate income to be used for general operating purposes and for the Michael P. Danziger Teaching Fellowship (see Note 1).

A reconciliation of endowment activity for the years ended June 30, 2019 and 2018, is as follows:

| | |
|---|-----------------------|
| Total endowment net assets, June 30, 2017 | \$ <u> -</u> |
| Endowment contributions | <u>1,125,000</u> |
| Investment return: | |
| Interest and dividends | 7,902 |
| Net unrealized gains | <u>6,611</u> |
| Total investment return | <u>14,513</u> |
| Total endowment net assets, June 30, 2018 | <u>1,139,513</u> |
| Endowment contributions | <u>545,567</u> |
| Re-designation of net assets (see Note 1) | <u>339,481</u> |
| Investment return designated for current operations | <u>(36,647)</u> |
| Investment return: | |
| Interest and dividends | 126,478 |
| Net unrealized losses | <u>(57,900)</u> |
| Total investment return | <u>68,578</u> |
| Total endowment net assets, June 30, 2019 | <u>\$ 2,056,492</u> |

STEPPINGSTONE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2019 and 2018

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 1,251,688 |
| Investments | 165,000 |
| Current portion of pledges receivable | <u>963,051</u> |
| Total financial assets | 2,379,739 |
| Less - current portion of pledges receivable with donor restrictions | (270,717) |
| Less - cash and cash equivalents and investments with donor restrictions | <u>(282,373)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,826,649</u> |

The Foundation has a policy to structure its financial assets to be available as its obligations become due. As of June 30, 2019, the Foundation has financial assets equal to approximately four months of operating expenses. The Foundation also has up to \$475,000 available to draw on its line of credit.

12. RECLASSIFICATION

Certain amounts in the fiscal year 2018 financial statements have been reclassified to conform with the fiscal year 2019 presentation.