

The **Second** **Step**

Financial Statements

June 30, 2025 and 2024

The Second Step, Inc.
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June 30, 2025 and 2024

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Second Step, Inc. (a Massachusetts corporation, not-for-profit) (TSS), which comprise the statements of financial position as of June 30, 2025 and 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Second Step, Inc. as of June 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TSS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TSS's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TSS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TSS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

AAFCPAs, Inc.

Westborough, Massachusetts
November 18, 2025

The Second Step, Inc.
Statements of Financial Position
As of June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 4,647,358	\$ 34,806	\$ 4,682,164	\$ 4,547,974	\$ 34,538	\$ 4,582,512
Restricted cash	-	49,138	49,138	-	82,133	82,133
Current portion of certificates of deposit	103,741	-	103,741	106,274	-	106,274
Contracts and grants receivable	141,259	-	141,259	213,390	-	213,390
Current portion of pledges receivable	-	48,000	48,000	-	70,000	70,000
Prepaid expenses and deposit	30,553	-	30,553	29,354	-	29,354
Total current assets	<u>4,922,911</u>	<u>131,944</u>	<u>5,054,855</u>	<u>4,896,992</u>	<u>186,671</u>	<u>5,083,663</u>
Certificates of Deposit, net of current portion	-	-	-	54,064	-	54,064
Pledges Receivable, net of current portion	-	-	-	-	50,000	50,000
Right-Of-Use Assets - Operating, net	278,254	-	278,254	358,948	-	358,948
Property and Equipment, net	1,391,268	-	1,391,268	1,299,946	-	1,299,946
Total assets	<u>\$ 6,592,433</u>	<u>\$ 131,944</u>	<u>\$ 6,724,377</u>	<u>\$ 6,609,950</u>	<u>\$ 236,671</u>	<u>\$ 6,846,621</u>
Liabilities and Net Assets						
Current liabilities						
Accounts payable	\$ 37,205	\$ -	\$ 37,205	\$ 31,022	\$ -	\$ 31,022
Accrued expenses	52,416	-	52,416	65,528	-	65,528
Current portion of operating lease liabilities	85,056	-	85,056	82,333	-	82,333
Total current liabilities	<u>174,677</u>	<u>-</u>	<u>174,677</u>	<u>178,883</u>	<u>-</u>	<u>178,883</u>
Operating Lease Liabilities, net of current portion	213,427	-	213,427	298,483	-	298,483
Contingent Loans	1,411,410	-	1,411,410	1,301,850	-	1,301,850
Total liabilities	<u>1,799,514</u>	<u>-</u>	<u>1,799,514</u>	<u>1,779,216</u>	<u>-</u>	<u>1,779,216</u>
Net assets						
Without donor restrictions						
Operating	4,788,447	-	4,788,447	4,742,716	-	4,742,716
Property and equipment	(40,371)	-	(40,371)	(23,772)	-	(23,772)
Board designated:						
Capital asset reserve	44,843	-	44,843	111,790	-	111,790
Total without donor restrictions	<u>4,792,919</u>	<u>-</u>	<u>4,792,919</u>	<u>4,830,734</u>	<u>-</u>	<u>4,830,734</u>
With donor restrictions:						
Other donor restrictions	-	82,806	82,806	-	154,538	154,538
Ailene R. Giglio Fund	-	49,138	49,138	-	82,133	82,133
Total without donor restrictions	<u>-</u>	<u>131,944</u>	<u>131,944</u>	<u>-</u>	<u>236,671</u>	<u>236,671</u>
Total net assets	<u>4,792,919</u>	<u>131,944</u>	<u>4,924,863</u>	<u>4,830,734</u>	<u>236,671</u>	<u>5,067,405</u>
Total liabilities and net assets	<u>\$ 6,592,433</u>	<u>\$ 131,944</u>	<u>\$ 6,724,377</u>	<u>\$ 6,609,950</u>	<u>\$ 236,671</u>	<u>\$ 6,846,621</u>

The accompanying notes are an integral part of these financial statements.

The Second Step, Inc.
Statements of Activities and Changes in Net Assets
For the years ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support:						
Gifts, grants and contributions	\$ 813,037	\$ 52,000	\$ 865,037	\$ 2,610,254	\$ 342,894	\$ 2,953,148
Contracts	843,054	-	843,054	1,147,373	-	1,147,373
Investment and other income	250,993	-	250,993	215,930	-	215,930
Fundraising events revenue, net of expenses of \$84,884 and \$65,637 for the years ended June 30, 2025 and 2024, respectively	183,587	-	183,587	165,568	-	165,568
Net assets released from restrictions	156,727	(156,727)	-	264,747	(264,747)	-
Total operating revenues and support	<u>2,247,398</u>	<u>(104,727)</u>	<u>2,142,671</u>	<u>4,403,872</u>	<u>78,147</u>	<u>4,482,019</u>
Operating Expenses:						
Program services:						
Legal Services	560,799	-	560,799	403,799	-	403,799
Community Programs	397,484	-	397,484	446,985	-	446,985
Residential	309,450	-	309,450	565,963	-	565,963
Outreach and Education	38,465	-	38,465	6,097	-	6,097
Total program services	<u>1,306,198</u>	<u>-</u>	<u>1,306,198</u>	<u>1,422,844</u>	<u>-</u>	<u>1,422,844</u>
Supporting services:						
General and administrative	505,806	-	505,806	377,854	-	377,854
Institutional advancement	473,209	-	473,209	392,537	-	392,537
Total supporting services	<u>979,015</u>	<u>-</u>	<u>979,015</u>	<u>770,391</u>	<u>-</u>	<u>770,391</u>
Total operating expenses	<u>2,285,213</u>	<u>-</u>	<u>2,285,213</u>	<u>2,193,235</u>	<u>-</u>	<u>2,193,235</u>
Changes in net assets	(37,815)	(104,727)	(142,542)	2,210,637	78,147	2,288,784
Net assets at beginning of year	4,830,734	236,671	5,067,405	2,620,097	158,524	2,778,621
Net assets at end of year	<u>\$ 4,792,919</u>	<u>\$ 131,944</u>	<u>\$ 4,924,863</u>	<u>\$ 4,830,734</u>	<u>\$ 236,671</u>	<u>\$ 5,067,405</u>

The accompanying notes are an integral part of these financial statements.

The Second Step, Inc.
Statements of Cash Flows
For the years ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Changes in net assets	\$ (142,542)	\$ 2,288,784
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	78,673	73,249
Non-cash lease expense	89,562	89,563
Changes in operating assets		
Contracts and grants receivables	72,131	36,146
Pledge receivable	72,000	(60,000)
Prepaid expenses and deposit	(1,199)	14,714
Changes in operating liabilities		
Accounts payable	6,183	(23,893)
Accrued expenses	(13,112)	(8,806)
Operating lease liabilities	(91,201)	(78,463)
Net cash provided by operating activities	70,495	2,331,294
Cash flows from investing activities		
Purchase of certificates of deposits	-	(56,551)
Redemption of and interest earned on certificates of deposits	56,597	52,085
Purchase of property and equipment	(169,995)	(42,200)
Net cash used in investing activities	(113,398)	(46,666)
Cash flows from financing activities		
Proceeds from contingent debt	109,560	-
Net change in Cash, Cash Equivalents, and Restricted Cash	66,657	2,284,628
Beginning of year	4,664,645	2,380,017
End of year	\$ 4,731,302	\$ 4,664,645
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	\$ 4,682,164	\$ 4,582,512
Restricted cash	49,138	82,133
Total cash, cash equivalents, and restricted cash	\$ 4,731,302	\$ 4,664,645

The accompanying notes are an integral part of these financial statements.

The Second Step, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2025
(With Summarized Comparative Totals for the Year Ended June 30, 2024)

	2025							2024	
	Program Services				Supporting Services			Total	Total
	Legal Services	Community Programs	Residential	Outreach and Education	Total Program Services	General and Administrative	Institutional Advancement		
Expenses:									
Salaries and related:									
Salaries	\$ 416,362	\$ 260,320	\$ 138,635	\$ 28,628	\$ 843,945	\$ 147,174	\$ 322,254	\$ 1,313,373	\$ 1,233,307
Employee benefits	37,031	27,214	2,378	2,280	68,903	44,422	13,560	126,885	93,625
Payroll taxes	32,024	23,721	13,070	3,384	72,199	12,635	27,232	112,066	109,865
Total salaries and related	<u>485,417</u>	<u>311,255</u>	<u>154,083</u>	<u>34,292</u>	<u>985,047</u>	<u>204,231</u>	<u>363,046</u>	<u>1,552,324</u>	<u>1,436,797</u>
Occupancy:									
Rent	31,421	27,613	-	-	59,034	13,331	22,852	95,217	112,511
Depreciation	-	-	76,847	-	76,847	1,826	-	78,673	73,249
Utilities	-	-	23,098	-	23,098	46	-	23,144	31,577
Repairs and maintenance	-	-	12,184	-	12,184	-	-	12,184	32,986
Total occupancy	<u>31,421</u>	<u>27,613</u>	<u>112,129</u>	<u>-</u>	<u>171,163</u>	<u>15,203</u>	<u>22,852</u>	<u>209,218</u>	<u>250,323</u>
Other costs:									
Professional services	10,584	2,700	5,362	-	18,646	221,690	39,665	280,001	166,481
Fundraising and community events	-	-	-	-	-	-	84,884	84,884	65,637
Program costs	6,149	35,588	20,576	3,445	65,758	578	-	66,336	140,273
Miscellaneous	7,505	3,369	24	615	11,513	29,667	13,433	54,613	56,197
Office expenses	521	1,097	4,777	101	6,496	17,630	10,739	34,865	48,821
Insurance	5,521	4,373	7,749	-	17,643	8,324	4,373	30,340	29,042
Telecommunications	4,632	5,722	4,694	-	15,048	4,125	5,769	24,942	25,124
Training and education	8,414	5,485	-	-	13,899	2,717	514	17,130	22,002
Printing and postage	635	282	56	12	985	1,310	12,520	14,815	16,442
Advertising	-	-	-	-	-	331	298	629	1,733
Total other costs	<u>43,961</u>	<u>58,616</u>	<u>43,238</u>	<u>4,173</u>	<u>149,988</u>	<u>286,372</u>	<u>172,195</u>	<u>608,555</u>	<u>571,752</u>
Total operating expenses before general and administrative allocation	560,799	397,484	309,450	38,465	1,306,198	505,806	558,093	2,370,097	2,258,872
General and administrative allocation	<u>152,152</u>	<u>107,842</u>	<u>83,958</u>	<u>10,436</u>	<u>354,388</u>	<u>(505,806)</u>	<u>151,418</u>	<u>-</u>	<u>-</u>
Total operating expenses	712,951	505,326	393,408	48,901	1,660,586	-	709,511	2,370,097	2,258,872
Less - fundraising event expenses included with revenues on the statements of activities and changes in net assets	-	-	-	-	-	-	(84,884)	(84,884)	(65,637)
Total expenses included in the statements of activities and changes in net assets	<u>\$ 712,951</u>	<u>\$ 505,326</u>	<u>\$ 393,408</u>	<u>\$ 48,901</u>	<u>\$ 1,660,586</u>	<u>\$ -</u>	<u>\$ 624,627</u>	<u>\$ 2,285,213</u>	<u>\$ 2,193,235</u>

The Second Step, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services				Supporting Services			Total
	Legal Services	Community Programs	Residential	Outreach and Education	Total Program Services	General and Administrative	Institutional Advancement	
Expenses:								
Salaries and related:								
Salaries	\$ 305,353	\$ 253,924	\$ 274,110	\$ -	\$ 833,387	\$ 130,800	\$ 269,120	\$ 1,233,307
Employee benefits	22,191	16,094	8,318	-	46,603	39,391	7,631	93,625
Payroll taxes	22,409	20,754	29,289	-	72,452	13,834	23,579	109,865
Total salaries and related	<u>349,953</u>	<u>290,772</u>	<u>311,717</u>	<u>-</u>	<u>952,442</u>	<u>184,025</u>	<u>300,330</u>	<u>1,436,797</u>
Occupancy:								
Rent	31,422	27,613	17,294	-	76,329	13,330	22,852	112,511
Depreciation	-	-	73,249	-	73,249	-	-	73,249
Utilities	-	-	31,577	-	31,577	-	-	31,577
Repairs and maintenance	-	-	32,986	-	32,986	-	-	32,986
Total occupancy	<u>31,422</u>	<u>27,613</u>	<u>155,106</u>	<u>-</u>	<u>214,141</u>	<u>13,330</u>	<u>22,852</u>	<u>250,323</u>
Other costs:								
Professional services	200	6,075	20,592	-	26,867	114,025	25,589	166,481
Fundraising and community events	-	-	-	-	-	-	65,637	65,637
Program costs	3,822	93,116	37,977	5,329	140,244	29	-	140,273
Miscellaneous	4,454	2,155	11,970	451	19,030	27,342	9,825	56,197
Office expenses	1,694	1,201	9,100	317	12,312	26,720	9,789	48,821
Insurance	6,351	3,059	10,694	-	20,104	5,879	3,059	29,042
Telecommunications	4,568	4,665	8,259	-	17,492	3,133	4,499	25,124
Training and education	802	17,756	68	-	18,626	2,931	445	22,002
Printing and postage	533	573	299	-	1,405	440	14,597	16,442
Advertising	-	-	181	-	181	-	1,552	1,733
Total other costs	<u>22,424</u>	<u>128,600</u>	<u>99,140</u>	<u>6,097</u>	<u>256,261</u>	<u>180,499</u>	<u>134,992</u>	<u>571,752</u>
Total operating expenses before general and administrative allocation	403,799	446,985	565,963	6,097	1,422,844	377,854	458,174	2,258,872
General and administrative allocation	<u>52,900</u>	<u>113,356</u>	<u>143,585</u>	<u>15,114</u>	<u>272,055</u>	<u>(377,854)</u>	<u>52,899</u>	<u>-</u>
Total operating expenses	456,699	560,341	709,548	21,211	1,694,899	-	511,073	2,258,872
Less - fundraising event expenses included with revenues on the statements of activities and changes in net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,637)</u>	<u>(65,637)</u>
Total expenses included in the statements of activities and changes in net assets	<u>\$ 456,699</u>	<u>\$ 560,341</u>	<u>\$ 709,548</u>	<u>\$ 21,211</u>	<u>\$ 1,694,899</u>	<u>\$ -</u>	<u>\$ 445,436</u>	<u>\$ 2,193,235</u>

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

1. Operations and Nonprofit Status

The Second Step, Inc. (TSS) is a Massachusetts not-for-profit corporation founded in 1988. Based in Newton, Massachusetts, The Second Step provides free, trauma-informed services for survivors of domestic violence throughout Greater Boston and beyond. TSS is dedicated to ending the cycle of abuse with our wraparound support, including safety planning, legal services, counseling, housing stabilization, support groups, and community education. These services help survivors heal and thrive while raising awareness to prevent abuse and build healthier communities.

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.

2. 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).

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents and restricted cash 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 to be cash and cash equivalents.

The restricted cash balance includes the funding with donor restrictions in perpetuity received by TSS as of June 30, 2025 and 2024.

TSS maintains its cash balances in financial institutions in the U.S. Balances at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. TSS has not experienced any losses in these accounts and management believes TSS is not exposed to any significant credit risk on its cash and cash equivalents.

Certificates of Deposit

Certificates of deposit (CDs) consist of two and three CDs as June 30, 2025 and 2024, respectively. As of June 30, 2025, the CDs mature at various dates through fiscal year 2026. CDs are classified in the accompanying statements of financial position based upon maturity dates.

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.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

2. Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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 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.

Contracts and Grants Receivable and Allowance for Uncollectible Accounts

Contracts and grants receivable are recorded at the invoiced amounts and do not bear interest. Management records an allowance for uncollectible accounts receivable based on an analysis of specific accounts and their estimate of amounts that may become uncollectible. There was no allowance deemed necessary as of June 30, 2025 and 2024.

Pledges Receivable

Pledges receivable are recorded as unconditionally committed and are stated at unpaid balances, less an allowance for doubtful accounts, if any. The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There was no allowance for doubtful accounts as of June 30, 2025 and 2024. Pledges receivable that are promised to be received more than one year after the statement of financial position date are discounted at an appropriate discount rate commensurate with the risks involved. There was no discount applied as of June 30, 2025 and 2024, as discount would be immaterial to the financial statements.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

2. Significant Accounting Policies (Continued)

Property and Equipment and Depreciation

Purchased property and equipment with a useful life of greater than one year and a value of greater than \$2,500 are recorded at cost. Donated property and equipment are recorded at fair value at the date of receipt by TSS. Renewals and betterments are capitalized, while repairs and maintenance are expensed. Land is not depreciated.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

	<u>Useful Lives</u>
Building and building improvements	40 years
Furniture and fixtures	5 - 10 years
Vehicles	5 - 10 years
Office equipment	3 - 10 years

TSS accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant, and Equipment*. There was no impairment loss recognized in fiscal years 2025 or 2024.

Right-of-Use-Assets and Lease Liabilities

TSS determines whether an arrangement is a lease at inception of a contract. A contract is determined to be or contain a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. TSS's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. TSS determines lease classification as operating or finance at the lease commencement date. TSS does not have any contracts where they serve as a lessor.

Leases result in the recognition of right-of-use (ROU) assets and lease obligations on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease obligation represents the obligation to make lease payments arising from the lease, measured on a discounted basis.

At lease inception, the lease obligation is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease obligation adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Unless TSS's leases provide an implicit interest rate within the lease contract, TSS uses the practical expedient allowing for the use of the risk-free rate at the commencement date of the lease for determining the present value of lease payments.

In determining lease terms, leases which include options to extend the lease are considered in the determination of the ROU asset and lease obligation when it is reasonably certain that TSS will exercise that option. Lease expense is generally recognized on a straight-line basis over the lease term.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

2. Significant Accounting Policies (Continued)

Right-of-Use-Assets and Lease Liabilities (Continued)

TSS has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Revenue Recognition

In accordance with Topic 958, *Not-for-Profit Entities (Topic 958)*, TSS must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 9). Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that TSS should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

A portion of TSS's revenue is derived from cost-reimbursable and unit-rate contracts (contracts), from Federal and state agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when TSS has incurred expenditures in compliance with specific contract provisions. These contracts are considered nonreciprocal transactions because TSS's community and clients receive the benefit as a result of the assets transferred. Amounts received prior to incurring qualifying expenditures or providing services are reported as deferred revenue in the accompanying statements of financial position.

Gifts, grants and contributions without donor restrictions are recorded as revenue when unconditionally received or pledged. Revenues from donor restricted grants and contributions are recorded as revenue and net assets with donor restrictions when TSS receives an unconditional commitment. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions as costs are incurred or time or program restrictions have lapsed.

Fundraising events revenue consists of both contributions and sales and is from TSS's fundraising events. The contribution portion of the fundraising events revenue is recognized as revenue when unconditionally committed or received. The sales portion of the fundraising events revenue is derived from various components, including sponsorships and program ads, in which the transaction price is determined annually. The sales portion of the fundraising events revenue is recognized at the time the event takes place. Fees collected in advance of the special events are initially recorded as deferred revenue (contract liabilities) and are only recognized in the accompanying statements of activities and changes in net assets after the special event has occurred and the performance obligation has been met. There was no deferred revenue as of June 30, 2025 and 2024, related to special events.

All other income is recorded when earned.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

2. Significant Accounting Policies (Continued)

Donated Goods and Services

TSS receives a significant amount of volunteer services and donated goods in various aspects of its programs. Donated services are recognized as a contribution if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by people with these skills, and would otherwise be purchased by TSS. 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 requirements for recognition.

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.

Expense Allocation

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

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses allocated are salaries and related, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated on a square footage basis; and office expenses and telecommunications, which are allocated based on usage studies conducted annually.

Advertising

TSS expenses advertising costs as they are incurred.

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 as of June 30, 2025 and 2024. TSS's informational returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events were evaluated through November 18, 2025, which is the date the financial statements were available to be issued. There was an event that met the criteria for disclosure in the financial statements (see Note 6). There were no other events that met the criteria for recognition or disclosure in the financial statements.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

3. Pledges Receivable

Pledges receivable consisted of the following as of June 30:

	2025	2024
Amounts due in:		
Less than one year	\$ 48,000	\$ 70,000
Within two years	-	50,000
	48,000	120,000
Less - current portion	48,000	70,000
Pledges receivable, net	\$ -	\$ 50,000

As of June 30, 2025 and 2024, the pledges receivable balance was due from one donor.

4. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restriction and are generally available for use by TSS. TSS has grouped its net assets without donor restrictions 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 accumulated depreciation and debt, and ROU assets - operating, net of related lease liabilities.

Board Designated - Capital Asset Reserve - represent funds set aside by the Board of Directors for property and equipment maintenance and acquisition. Any withdrawals of the Capital Asset Reserve require the prior approval of the Board of Directors.

During fiscal years ended June 30, 2025 and 2024, TSS did not withdraw any funds from the Board designated reserve. During fiscal years 2025 and 2024, TSS rebalanced the Board reserves in accordance with changes in cash management strategies approved by the Board of Directors.

Net Assets With Donor Restrictions

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

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

4. Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets released from donor restrictions are comprised of the following for the years ended June 30:

	2025	2024
Time	\$ 82,000	\$ 163,392
Purpose	74,727	101,355
	\$ 156,727	\$ 264,747

Net assets balances with donor restrictions are comprised of the following as of June 30:

	2025	2024
Ailene R. Giglio Fund	\$ 49,138	\$ 82,133
Time	48,000	120,000
Purpose	34,806	34,538
	\$ 131,944	\$ 236,671

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. During fiscal years 2025 and 2024, approximately \$33,000 and \$26,000, respectively, were withdrawn from the Fund for these purposes. The Fund is reported as restricted cash with donor restrictions in the accompanying statements of financial position as of June 30, 2025 and 2024.

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.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 130,000	\$ 130,000
Building and building improvements	2,476,503	2,286,138
Furniture and fixtures	274,405	274,405
Vehicles	-	32,163
Office equipment	48,897	48,897
	<u>2,929,805</u>	<u>2,771,603</u>
Less - accumulated depreciation	(1,538,537)	(1,471,657)
Property and equipment, net	<u><u>\$ 1,391,268</u></u>	<u><u>\$ 1,299,946</u></u>

Depreciation expense related to property and equipment was \$78,673 and \$73,249 for the years ended June 30, 2025 and 2024, respectively. Property and equipment are pledged as security for the contingent loans described in Note 7.

6. Leases

TSS leases its office space under an operating agreement which commenced in August 2022 and expires in September 2028, with monthly lease payments ranging from \$7,600 to \$8,600 over the lease period. The agreement requires TSS to pay all executory costs (property taxes, maintenance and insurance) which are expensed as variable lease costs. TSS used the risk-free rate of 2.64% to discount future lease payments to present value.

Future minimum lease payments for the lease agreement are as follows as of June 30, 2025:

	<u>Amounts</u>
2026	\$ 91,710
2027	97,315
2028	97,824
2029	24,456
Total future undiscounted lease payments	<u>311,305</u>
Less - present value discount	12,822
Less - current portion	85,056
Lease liability, net of current portion	<u><u>\$ 213,427</u></u>

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

6. Leases (Continued)

The following summarizes the lease cost reflected as rent expense in the accompanying statements of functional expenses for the years ended June 30:

	2025	2024
Operating lease costs	\$ 89,562	\$ 89,562
Short-term lease costs	-	17,295
Variable lease costs	5,655	5,655
Total lease cost	\$ 95,217	\$ 112,512

The following summarizes cash flow information related to leases for the years ended June 30:

	2025	2024
Cash paid for amounts included in the measurement of operating lease liabilities:	\$ 91,201	\$ 78,463

Subsequent to June 30, 2025, TSS entered into a new lease agreement with the same landlord for a different office space within the same building. The new lease term will commence once the landlord substantially completes the build-out of the new premises and makes the space available for TSS's use. Upon commencement, TSS will vacate its current office and recognize an ROU asset and corresponding lease liability in accordance with ASC 842, *Leases*.

7. Contingent Loans

TSS has the following contingent loans:

- The Community Economic Development Assistance Corporation (CEDAC) has provided 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, 2025 and 2024. 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 Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

7. Contingent Loans (Continued)

- The Massachusetts Housing Finance Agency, through the Executive Office of Housing and Livable Communities (EOHLC) Affordable Housing Trust Fund, has provided 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 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, 2025. 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.
- During fiscal year 2025, NCDA provided TSS with a deferred payment loan in the amount of \$109,560 for the rehabilitation of a residential property located at 21 Foster Street, Newton, MA. The loan bears zero percent interest and is secured by a mortgage on the property. Repayment of the principal is deferred until the property is sold, transferred, or ceases to be occupied by income-eligible households, at which time the outstanding balance becomes due. The loan is subject to compliance with the terms of the Comprehensive Funding Agreement, including requirements for property maintenance, insurance, and occupancy. In the event of default or noncompliance, the principal may become immediately due and payable. The mortgage and related agreements also require the property to be maintained in accordance with applicable laws and regulations, and provide for remedies in case of default, including the right of the NCDA to cure defaults and recover costs incurred.
- The Federal Home Loan Bank (FHLB) has provided TSS with a \$80,000 interest-free loan for the acquisition and rehabilitation of a program residence. The loan bears zero percent interest and 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 was previously secured by a mortgage on the program residence, which has since been fully paid.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

7. Contingent Loans (Continued)

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, 2025 and 2024.

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 \$493,500 and \$472,500 as of June 30, 2025 and 2024, respectively.

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

	2025	2024
CEDAC	\$ 500,000	\$ 500,000
NCDA	431,410	321,850
EOHLC	400,000	400,000
FHLB	80,000	80,000
	\$ 1,411,410	\$ 1,301,850

8. Concentration of Funding and Credit Risk

A significant portion of TSS's contract revenue is derived through various departments of the Commonwealth of Massachusetts.

The following represents agencies which provided 10% or more of operating revenues and support:

	2025	2024
Massachusetts Department of Victim and Witness Assistance (MOVA)	19%	9%
Massachusetts Department of Public Health (DPH)	17%	11%

As of June 30, 2025 and 2024, receivables from two agencies comprised 99% and 84%, respectively, of contacts and grants receivable. Pledges receivable as of June 30, 2025 and 2024, are due from one donor.

These funds have been expended in accordance with the terms contained in the respective agreements and are subject to possible final audit determination by the corresponding 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, 2025 and 2024, or on its results of operations for the years then ended.

Additionally, during fiscal year 2024, TSS received a one-time contribution from one donor that comprised 44% of operating revenues and support.

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

9. Conditional Funding

During fiscal years 2025 and 2024, TSS received government contracts totaling \$989,056 and \$1,610,753, respectively. These contracts include conditions that constitute barriers which have to be met, as well as provisions for the return of assets or release from obligations if those conditions are not satisfied. TSS recognizes these contracts when conditions are met. These commitments are not included in the accompanying financial statements. As of June 30, 2025 and 2024, total amounts committed, but not recognized, were \$146,002 and \$476,681, respectively.

Additionally, TSS has been awarded a conditional grant from a private donor. Payment of this grant is conditional upon availability of funds as defined in the grant agreement. Accordingly, \$60,000 and \$80,000, respectively, representing the remaining balances of this grant, have not been earned or recognized as revenue in the accompanying financial statements as of June 30, 2025 and 2024.

10. Contingencies

In the ordinary course of business, TSS occasionally becomes involved in various claims. When management determines that a litigation contingency is likely to result in a loss and the amount can be reasonably estimated, the estimated loss is accrued. Management does not expect any adverse financial impact from open claims occurring in the normal course of business as of June 30, 2025 and 2024.

11. Retirement Plan

TSS maintains a retirement plan under IRC Section 403(b) covering all employees. TSS contributed \$35,358 and \$27,254 to the plan in fiscal years 2025 and 2024, respectively, which is included in employee benefits in the accompanying statements of functional expenses.

12. Liquidity and Availability of Financial Assets

Financial assets available for TSS for general operating expenses within one year from the statements of financial position date as of June 30, 2025 and 2024, are as follows.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents and restricted cash	\$ 4,731,302	\$ 4,664,645
Current portion of certificates of deposit	103,741	106,274
Contracts and grants receivable	141,259	213,390
Pledges receivable	48,000	70,000
	<u>5,024,302</u>	<u>5,054,309</u>
Donor-imposed restrictions	(131,944)	(236,671)
Board designated	(44,843)	(111,790)
Total	<u><u>\$ 4,847,515</u></u>	<u><u>\$ 4,705,848</u></u>

The Second Step, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

12. Liquidity and Availability of Financial Assets (Continued)

TSS has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2025 and 2024, TSS has financial assets of about twenty-six months, of operating costs.

13. Reclassifications

Certain amounts in the fiscal year 2024 financial statements have been reclassified to confirmation with the fiscal year 2025 presentation.