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February 10, 2010

Board of Directors  
Step-Up, Inc.  
850 N. Meridian St., First Floor  
Indianapolis, IN 46204

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Step-Up, Inc., as of December 31, 2008 and 2007, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**STEP-UP, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

STEP-UP, INC.  
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**Gauthier & Kimmerling, LLC**  
accountants & advisors

233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

Independent Auditors' Report

Board of Directors  
Step-Up, Inc.  
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Step-Up, Inc. (Step-Up) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Step-Up's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Step-Up as of December 31, 2008 and 2007, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2009 on our consideration of Step-Up's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audits performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

*Gauthier & Kimmerling, LLC*

August 18, 2009

**STEP-UP, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED DECEMBER 31,**

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	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 114,565	\$ 83,457
Grants receivable	90,108	62,117
Furniture and equipment, net of depreciation (Note 6)	<u>2,039</u>	<u>756</u>
Total assets	<u>\$ 206,712</u>	<u>\$ 146,330</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	<u>\$ 25,364</u>	<u>\$ 19,920</u>
Total liabilities	<u>25,364</u>	<u>19,920</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	82,499	54,718
Temporarily restricted	<u>98,849</u>	<u>71,692</u>
Total net assets	<u>181,348</u>	<u>126,410</u>
Total liabilities and net assets	<u>\$ 206,712</u>	<u>\$ 146,330</u>

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

**STEP-UP, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>REVENUES AND OTHER SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 35,490	\$ -	\$ 35,490
Grants	450,180	136,750	586,930
Interest income	1,885	-	1,885
Fees for services	<u>28,513</u>	<u>-</u>	<u>28,513</u>
Revenues and other support	516,068	136,750	652,818
Net assets released from restriction	<u>109,593</u>	<u>(109,593)</u>	<u>-</u>
Total revenues and other support	<u>625,661</u>	<u>27,157</u>	<u>652,818</u>
 <u>EXPENSES AND LOSSES</u>			
Program Expenses:			
Community Action Groups	122,356	-	122,356
Youth at Risk	97,974	-	97,974
Youth and Diversity	8,145	-	8,145
Care Coordination	20,273	-	20,273
Seniors HIV/AIDS Education	11,612	-	11,612
IMAP	92,713	-	92,713
Consumer Advisory Board	30,017	-	30,017
Women Taking Charge	61,933	-	61,933
Trainings	5,620	-	5,620
Community Planning Group	93,175	-	93,175
Medical Monitoring Project	<u>15,007</u>	<u>-</u>	<u>15,007</u>
Total program expenses	558,825	-	558,825
Management and general	<u>39,055</u>	<u>-</u>	<u>39,055</u>
Total expenses	<u>597,880</u>	<u>-</u>	<u>597,880</u>
Increase (decrease) in net assets	27,781	27,157	54,938
Net assets - beginning of year	<u>54,718</u>	<u>71,692</u>	<u>126,410</u>
Net assets - end of year	<u>\$ 82,499</u>	<u>\$ 98,849</u>	<u>\$ 181,348</u>

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

**STEP-UP, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>REVENUES AND OTHER SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 10,728	\$ -	\$ 10,728
Grants	325,461	188,500	513,961
Interest income	4,252	-	4,252
Fees for services	<u>25,886</u>	<u>-</u>	<u>25,886</u>
Revenues and other support	366,327	188,500	554,827
Net assets released from restriction	<u>116,808</u>	<u>(116,808)</u>	<u>-</u>
Total revenues and other support	<u>483,135</u>	<u>71,692</u>	<u>554,827</u>
 <u>EXPENSES AND LOSSES</u>			
Program Expenses:			
Community Action Groups	133,966	-	133,966
Youth at Risk	92,085	-	92,085
Youth and Diversity	12,143	-	12,143
Care Coordination	16,050	-	16,050
Seniors HIV/AIDS Education	31,406	-	31,406
IMAP	92,947	-	92,947
Consumer Advisory Board	20,174	-	20,174
Women Taking Charge	29,397	-	29,397
Trainings	<u>54,128</u>	<u>-</u>	<u>54,128</u>
Total program expenses	482,296	-	482,296
Management and general	<u>30,290</u>	<u>-</u>	<u>30,290</u>
Total expenses	<u>512,586</u>	<u>-</u>	<u>512,586</u>
Increase (decrease) in net assets	(29,451)	71,692	42,241
Net assets - beginning of year	<u>84,169</u>	<u>-</u>	<u>84,169</u>
Net assets - end of year	<u>\$ 54,718</u>	<u>\$ 71,692</u>	<u>\$ 126,410</u>

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

**STEP-UP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services						Consumer Advisory Board
	Community Action Groups	Youth At Risk	Youth and Diversity	Care Coordination	Seniors HIV/AIDS Education	IMAP	
Salaries and wages	\$ 44,968	\$ 64,165	\$ 4,497	\$ 6,745	\$ 5,621	\$ 49,364	\$ -
Employee benefits and taxes	5,168	9,028	979	364	3,843	6,657	-
Total salaries and related expenses	50,136	73,193	5,476	7,109	9,464	56,021	-
Supplies and expendables	8,298	2,640	44	295	108	8,797	668
Conferences, conventions, and travel	5,734	9,415	862	11,699	340	5,360	29,220
Telephone	-	1,114	430	195	430	1,189	54
Rent	500	8,463	525	675	-	4,294	-
Professional services and fees	-	275	-	-	1,270	10,861	75
Dues and subscriptions	-	-	100	-	-	-	-
Printing and publications	400	335	208	300	-	2,837	-
Postage and shipping	-	139	-	-	-	154	-
Contractual costs	57,288	1,900	-	-	-	3,200	-
Depreciation	-	-	-	-	-	-	-
Miscellaneous	-	500	500	-	-	-	-
<b>Total Expenses</b>	<b>\$ 122,356</b>	<b>\$ 97,974</b>	<b>\$ 8,145</b>	<b>\$ 20,273</b>	<b>\$ 11,612</b>	<b>\$ 92,713</b>	<b>\$ 30,017</b>

(Continued)

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



**STEP-UP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Services					
	Community Action Groups	Youth At Risk	Youth and Diversity	Care Coordination	Seniors HIV/AIDS Education	IMAP
Salaries and wages	\$ 49,725	\$ 57,069	\$ 7,033	\$ 3,200	\$ 21,975	\$ 45,680
Employee benefits and taxes	6,199	9,692	1,404	322	3,628	6,300
Total salaries and related expenses	55,924	66,761	8,437	3,522	25,603	51,980
Supplies and expendables	11,872	3,972	84	802	375	18,688
Conferences, conventions, and travel	10,524	10,616	1,245	9,415	353	3,630
Telephone	284	1,007	284	212	285	704
Rent	2,000	6,817	-	300	944	4,659
Professional services and fees	53	908	553	805	1,693	6,035
Dues and subscriptions	-	242	210	-	80	230
Printing and publications	-	474	50	723	94	5,878
Postage and shipping	63	63	63	61	149	128
Contractual costs	53,246	1,225	860	210	1,830	915
Depreciation	-	-	-	-	-	-
Miscellaneous	-	-	357	-	-	100
Total Expenses	<u>\$ 133,966</u>	<u>\$ 92,085</u>	<u>\$ 12,143</u>	<u>\$ 16,050</u>	<u>\$ 31,406</u>	<u>\$ 92,947</u>

(Continued)

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

**STEP-UP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(Continued)**

	Program Services					Total Expenses
	Consumer Advisory Board	Women Taking Charge	Trainings	Total Program Services	Management and General	
Salaries and wages	\$ -	\$ 14,133	\$ -	\$ 198,815	\$ 4,984	\$ 203,799
Employee benefits and taxes	-	3,439	-	30,984	709	31,693
Total salaries and related expenses	-	17,572	-	229,799	5,693	235,492
Supplies and expendables	3,196	4,735	30,664	74,388	3,279	77,667
Conferences, conventions, and travel	16,978	1,178	18,014	71,953	3,200	75,153
Telephone	-	650	-	3,426	1,290	4,716
Rent	-	2,611	-	17,331	-	17,331
Professional services and fees	-	1,486	-	11,533	6,006	17,539
Dues and subscriptions	-	-	-	762	3,364	4,126
Printing and publications	-	267	5,450	12,936	447	13,383
Postage and shipping	-	148	-	675	48	723
Contractual costs	-	750	-	59,036	580	59,616
Depreciation	-	-	-	-	2,367	2,367
Miscellaneous	-	-	-	457	4,016	4,473
Total Expenses	\$ 20,174	\$ 29,397	\$ 54,128	\$ 482,296	\$ 30,290	\$ 512,586

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

**STEP-UP, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2008</u>	<u>2007</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase (decrease) in net assets	\$ 54,938	\$ 42,241
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	882	2,367
(Increase) decrease in operating assets:		
Grants receivable	(27,991)	(34,812)
Increase (decrease) in operating liabilities:		
Accounts payable	<u>5,444</u>	<u>(1,793)</u>
Net Cash Provided by (Used in) Operating Activities	<u>33,273</u>	<u>8,003</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of furniture and equipment	<u>(2,165)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>(2,165)</u>	<u>-</u>
Net increase (decrease) in cash	31,108	8,003
Cash and cash equivalents - beginning of year	<u>83,457</u>	<u>75,454</u>
Cash and cash equivalents - end of year	<u>\$ 114,565</u>	<u>\$ 83,457</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

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

STEP-UP, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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1. NATURE OF THE ORGANIZATION

Step-Up, Inc. (Step-Up) was incorporated as a not-for-profit organization on March 1, 2002, under the laws of the State of Indiana. Step-Up exists to provide education, training, advocacy, and technical assistance to promote health and well-being; with a focus on HIV/STD prevention and diversity. Step-Up's outreach programs consist of the following:

Community Action Groups (CAG) – A statewide network of grassroots organizations that provide HIV education in their communities according to their specific needs and community standards.

Youth at Risk (YAR) – An HIV/STD prevention education program whose primary target population is incarcerated youth and youth in substance use treatment.

Youth and Diversity (YAD) – Assists youth serving professionals in providing safe, supportive space for gay, lesbian, bi-sexual, and transgender (GLBT) youth.

Indiana Seniors HIV/AIDS Prevention Education (In-Shape) – Provides HIV/STD prevention education for persons over the age of 50.

Indianapolis Men Advancing Prevention (IMAP) – Developed to fill a gap in the HIV and STD prevention needs of the men who have sex with men (MSM) population in Marion County.

Consumer Advisory Board (CAB) – Provides a mechanism through which people with HIV infection can have meaningful input into the development of policies and programs to address their needs.

Women Taking Charge (WTC) – A skills-building intervention program for women at high risk for HIV/STD.

Community Planning Group (CPG) – Program designed to adopt and periodically update a comprehensive HIV prevention plan for the State of Indiana.

Medical Monitoring Project (MMP) – Special HIV disease surveillance project gathering information to get the most accurate picture of healthcare service utilization and illnesses experienced among persons with HIV in Indiana.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – Step-Up maintains its accounting records on the accrual basis.

Furniture and Equipment – Expenditures for furniture and equipment are stated at cost, or, for donations, at fair market value at the date of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Office furniture and equipment	7
Computer equipment	5
Leasehold improvements	5

Federal and State Income Taxes – Step-Up has been granted an exemption from income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no expense or liability for income taxes has been recognized in the accompanying financial statements.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts. Actual amounts may differ from these estimates.

Net Asset Classification – In accordance with Statement of Financial Accounting Standards (SFAS) 117, Financial Statements of Not-for-Profit Organizations, unrestricted net assets include all assets over which Step-Up has full discretion as to use. Temporarily restricted net assets include net assets whose use by Step-Up is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by Step-Up. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Contributions for which the restrictions are met in the same period in which the contribution is received are recorded as unrestricted. Permanently restricted net assets, if any, include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Step-Up.

Expense Allocation – The costs of providing the various programs and services have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or management service are allocated directly according to their natural classification. Certain costs have been allocated among the programs and supporting services benefited using both statistical and non-statistical allocation methodologies.

In-Kind Contributions – In-kind contributions are generally recognized at fair value on the date received. Step-Up received no in-kind contributions in 2008 or 2007.

## 3. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, investments with a maturity of three months or less are considered to be cash equivalents.

Step-Up's major bank insures aggregate funds on deposit only to \$250,000 and \$100,000 per depositor at December 31, 2008 and 2007, respectively, in accordance with FDIC guidelines. No funds were on deposit in excess of insured amounts at December 31, 2008 or 2007.

4. CONCENTRATION OF CREDIT RISK

Step-Up received a significant amount of its funding from state and federal contracts that are renewable annually. Legislative budgets could significantly impact Step-Up's ability to start new programs or to continue existing programs.

5. OUTSTANDING GRANT COMMITMENTS

The following is a summary of governmental grants awarded and expended:

Program	2008		Grant Expenditures	Grant Proceeds Outstanding
	Fiscal Year of Award	Cumulative Grant Amount		
Indiana State Department of Health:				
Community Action Groups – Admin/Basic	2007-08	\$119,778	\$ 67,434	\$ -
Community Action Groups – Admin/Basic	2008-09	123,778	63,466	60,312
Youth at Risk – Respect	2007-08	30,000	15,064	-
Youth at Risk – Respect	2008-09	30,000	14,676	15,324
Youth at Risk	2008	43,000	43,000	-
Care Coordination	2007-08	16,252	11,588	-
Care Coordination	2008-09	14,523	9,113	5,410
Consumer Advisory Board	2007-08	40,000	18,688	-
Consumer Advisory Board	2008-09	55,000	14,702	40,298
Medical Monitoring Project	2008	12,422	9,228	3,194
Community Planning Group	2008	98,268	98,268	-
Total Indiana State Department of Health			\$ 365,227	\$ 124,538
Marion County Health Department:				
IMAP	2008	25,000	25,000	-
IMAP - Ryan White	2008-09	34,335	15,712	18,623
Total Marion County Health Department			40,712	18,623
Total governmental grants			\$ 405,939	\$ 143,161

(Continued)

5. OUTSTANDING GRANT COMMITMENTS – Continued

Program	2007		Grant Expenditures	Grant Proceeds Outstanding
	Fiscal Year of Award	Cumulative Grant Amount		
Indiana State Department of Health:				
Community Action Groups – Admin/Basic	2006-07	\$ 125,000	\$ 69,236	\$ -
Community Action Groups – Admin/Basic	2007-08	119,778	58,344	67,434
Youth at Risk	2007	41,975	41,975	-
Youth at Risk – Respect	2006-07	25,000	13,882	-
Youth at Risk – Respect	2007-08	30,000	14,936	15,064
Care Coordination	2006-07	19,670	14,434	-
Care Coordination	2007-08	16,252	4,664	11,588
Consumer Advisory Board Trainings	2007-08	40,000	21,312	18,688
	2008	53,500	<u>53,500</u>	<u>-</u>
Total Indiana State Department of Health			\$ 292,283	\$ 112,774
Marion County Health Department:				
IMAP	2007	25,000	<u>17,148</u>	<u>-</u>
Total Marion County Health Department			<u>17,148</u>	<u>-</u>
Total governmental grants			<u>\$ 309,431</u>	<u>\$ 112,774</u>

6. FURNITURE AND EQUIPMENT

Step-Up's furniture and equipment as of December 31, are as follows:

	2008	2007
Furniture and Equipment	\$ 14,762	\$ 12,597
Less: Accumulated Depreciation	<u>(12,723)</u>	<u>(11,841)</u>
Furniture and Equipment, net	<u>\$ 2,039</u>	<u>\$ 756</u>

Depreciation expense for the years ended December 31, 2008 and 2007 totaled \$882 and \$2,367, respectively.

7. LEASES

During November 2004, Step-Up entered into a lease agreement for office space that expires on November 30, 2009. Lease expense for 2008 and 2007 was \$19,202 and \$17,331, respectively. At December 31, 2008 the future minimum lease payments under the operating lease are as follows:

2009	\$ 6,000
2010	-
2011	<u>-</u>
Total	<u>\$ 6,000</u>



**Gauthier & Kimmerling, LLC**  
accountants & advisors

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Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed  
In Accordance with Government Auditing Standards

To the Board of Directors  
Step-Up, Inc.  
Indianapolis, IN

We have audited the financial statements of Step-Up, Inc. as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 18, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered Step-Up, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Step-Up, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Step-Up, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Step-Up, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gauthier & Hummerling, LLC*

August 18, 2009