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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 21, 2023

Board of Directors
Step-Up, Inc.
4755 Kingsway Dr., Suite 105
Indianapolis, IN 46205

We have reviewed the audit report of Step-Up, Inc., which was opined upon by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Step-Up, Inc. as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Comer, Nowling and Associates, PC, prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

Step-Up, Inc.



**Financial Statements
For The Year Ended
December 31, 2022 and 2021
(With Single Audit Section)**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

**STEP-UP, INC.
FINANCIAL STATEMENTS**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards.....	18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Expenditures of State and Local Awards.....	20
Summary Schedule of Prior Audit Findings.....	21
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	24
Schedule of Findings and Questioned Costs.....	27

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements Step-Up, Inc. (Step-up; a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Step-Up, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Step-Up, Inc. as of December 31, 2021 were audited by other auditors whose report dated June 7, 2022 expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit 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. 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 the Step-Up, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Step-Up, Inc.'s ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards and Government Auditing Standards 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 generally accepted auditing standards and Government Auditing Standards, 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 the Step-Up, Inc.'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 the Step-Up, Inc.'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2023 on our consideration of the Step-Up, Inc.'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 solely 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 effectiveness of the Step-Up, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Step-Up, Inc.'s internal control over financial reporting and compliance.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
July 24, 2023

STEP-UP, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 462,707	\$ 661,799
Investments	189,782	-
Grants receivable	509,086	487,673
Prepaid expenses and deposits	26,818	42,704
Total current assets	1,188,393	1,192,176
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation	22,153	44,246
Total property and equipment	22,153	44,246
OTHER ASSETS:		
Right of use asset	497,432	-
Total other assets	497,432	-
Total assets	\$ 1,707,978	\$ 1,236,422
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 36,826	\$ 43,942
Accrued payroll and payroll expenses	33,714	30,250
Accrued vacation	27,002	22,634
Lease liability, current portion	80,571	-
Straight-line lease Liability	-	16,550
Total current liabilities	178,113	113,376
LONG-TERM LIABILITIES		
Lease liability	424,649	-
Total long-term liabilities	424,649	-
Total liabilities	602,762	113,376
NET ASSETS		
Without donor restrictions	938,446	1,068,473
With donor restrictions	166,770	54,573
Total net assets	1,105,216	1,123,046
Total liabilities and net assets	\$ 1,707,978	\$ 1,236,422

See accompanying notes to financial statements.

STEP-UP, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Government grants	\$ 2,716,917	\$ -	\$ 2,716,917	\$ 2,272,666	\$ -	\$ 2,272,666
Contributions, foundation grants and other	55,061	166,770	221,831	89,213	194,825	284,038
Other contracts	18,750	-	18,750	100,887	-	100,887
Investment income (loss)	(10,218)	-	(10,218)	-	-	-
Total revenue and support	<u>2,780,510</u>	<u>166,770</u>	<u>2,947,280</u>	<u>2,462,766</u>	<u>194,825</u>	<u>2,657,591</u>
Net assets released from restriction	<u>54,573</u>	<u>(54,573)</u>	<u>-</u>	<u>190,247</u>	<u>(190,247)</u>	<u>-</u>
Total revenue, support and net assets released from restriction	2,835,083	112,197	2,947,280	2,653,013	4,578	2,657,591
OPERATING EXPENSES						
Program Expenses:						
Ryan White	1,240,021	-	1,240,021	1,286,795	-	1,286,795
Community Planning Group	192,181	-	192,181	162,404	-	162,404
Community Action Groups	216,932	-	216,932	223,044	-	223,044
INPEP	179,074	-	179,074	180,798	-	180,798
Other programs	988,273	-	988,273	573,114	-	1,853,041
Total Program Expenses	<u>2,816,481</u>	<u>-</u>	<u>2,816,481</u>	<u>2,426,155</u>	<u>-</u>	<u>2,426,155</u>
Management and general	<u>162,639</u>	<u>-</u>	<u>162,639</u>	<u>178,909</u>	<u>-</u>	<u>178,909</u>
Total operating expenses	<u>2,979,120</u>	<u>-</u>	<u>2,979,120</u>	<u>2,605,064</u>	<u>-</u>	<u>2,605,064</u>
Increase (decrease) in net assets	(144,037)	112,197	(31,840)	47,949	4,578	52,527
NET ASSETS, BEGINNING OF YEAR	1,068,473	54,573	1,123,046	1,020,524	49,995	\$ 1,070,519
Cumulative effect for change in accounting principle	<u>14,010</u>	<u>-</u>	<u>14,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 938,446</u>	<u>\$ 166,770</u>	<u>\$ 1,105,216</u>	<u>\$ 1,068,473</u>	<u>\$ 54,573</u>	<u>\$ 1,123,046</u>

See accompanying notes to financial statements.

STEP-UP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Ryan White	Community Planning Group	Community Action Groups	INPEP	Other Programs	Total Program Services	Management and General	2022 Totals
OPERATING EXPENSES								
Personnel expenses	\$ 854,639	\$ 151,132	\$ 52,450	\$ 119,368	\$ 686,194	\$ 1,863,783	\$ 97,154	\$ 1,960,937
Client assistance	196,358	-	-	72	47,282	243,712	1,156	244,868
Pass through expense	-	-	95,301	-	9,704	105,005	16,491	121,496
Supplies and expendables	43,211	9,719	62,643	21,985	140,921	278,479	3,056	281,535
Trainings, conferences and travel	50,899	3,168	1,540	21,013	22,777	99,397	2,428	101,825
Rent	46,544	7,952	2,050	5,664	31,375	93,585	9,843	103,428
Professional services and fees	27,065	2,219	2,060	3,004	35,895	70,243	13,832	84,075
Miscellaneous	6,611	15,561	257	6,099	3,655	32,183	17,742	49,925
Telephone	4,935	763	201	681	3,892	10,472	316	10,788
Depreciation	9,759	1,667	430	1,188	6,578	19,622	621	20,243
Total operating expenses by function	<u>\$ 1,240,021</u>	<u>\$ 192,181</u>	<u>\$ 216,932</u>	<u>\$ 179,074</u>	<u>\$ 988,273</u>	<u>\$ 2,816,481</u>	<u>\$ 162,639</u>	<u>\$ 2,979,120</u>

See accompanying notes to financial statements.

STEP-UP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Ryan White	Community Planning Group	Community Action Groups	INPEP	Other Programs	Total Program Services	Management and General	2021 Totals
OPERATING EXPENSES								
Personnel expenses	\$ 927,149	\$ 139,232	\$ 52,273	\$ 147,232	\$ 413,192	\$ 1,679,078	\$ 114,666	\$ 1,793,744
Client assistance	147,622	-	-	343	70,211	218,176	1,510	219,686
Pass through expense	-	-	165,414	-	3,819	169,233	7,535	176,768
Supplies and expendables	73,939	8,496	154	8,912	27,695	119,196	4,885	124,081
Trainings, conferences and travel	17,653	1,064	284	3,048	10,873	32,922	2,906	35,828
Rent	50,394	5,300	2,237	4,406	13,411	75,748	11,107	86,855
Professional services and fees	14,123	1,158	315	2,213	15,923	33,732	658	34,390
Miscellaneous	6,623	1,812	246	9,923	3,585	22,189	25,709	47,898
Telephone	6,496	841	222	979	3,016	11,554	501	12,055
Depreciation	42,796	4,501	1,899	3,742	11,389	64,327	9,432	73,759
Total operating expenses by function	<u>\$ 1,286,795</u>	<u>\$ 162,404</u>	<u>\$ 223,044</u>	<u>\$ 180,798</u>	<u>\$ 573,114</u>	<u>\$ 2,426,155</u>	<u>\$ 178,909</u>	<u>\$ 2,605,064</u>

See accompanying notes to financial statements.

STEP-UP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (31,840)	\$ 52,527
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	20,243	73,759
Loss (gain) on sale of property and equipment	1,850	-
Realized and unrealized (gain)/loss on investments	13,272	-
(Increase) decrease in cash from changes in:		
Accounts receivable	(21,413)	(1,189)
Other assets	15,886	(8,092)
Right-of-use asset	81,721	
Increase (decrease) in cash from changes in:		
Accounts payable	(7,116)	3,603
Accrued payroll and payroll expenses	3,464	7,917
Accrued vacation	4,368	(14,432)
Deferred revenue	-	(18,750)
Refundable advance	-	(51,358)
Right-of-use lease liability	(76,472)	
Straight line lease liability	-	(2,917)
	3,963	41,068
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(203,055)	-
	(203,055)	-
Net cash provided by (used in) investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(199,092)	41,068
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	661,799	620,731
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 462,707	\$ 661,799

See accompanying notes to financial statements.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

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.

Ryan White – Provides HIV/AIDS related health care services to low-income individuals in the surrounding Indianapolis region.

Care Coordinator – Provides funds to support staffing who will provide resources to meet medical, social, educational, legal, housing, and psychological needs of HIV-positive residents of Indiana.

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

Indiana Peer Education Program (INPEP) – A Peer Education Program for people living incarcerated, which helps develop leadership skills, communication strategies and learn to work as a team. The program helps individuals to be more prepared to return to the community and reduce recidivism.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. With few exceptions, the Organization is no longer subject to examination by taxing authorities for the years before 2019.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

FINANCIAL STATEMENT PRESENTATION

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, Step-Up, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset classes follows:

Net assets without donor restrictions represent the portion of net assets of Step-Up, Inc. that is not subject to donor-imposed restrictions. Net assets without donor restrictions include expendable funds available for the support of the Organization. Board designated net assets are net assets without donor restrictions with self-imposed designations by action of the governing board.

Net assets with donor restrictions represent contributions and other inflows of assets whose use by Step-Up, Inc. is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of Step-Up, Inc. pursuant to those stipulations, or net assets that must be held in perpetuity.

Net assets with donor restrictions also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on net assets with donor restrictions that are held in perpetuity, which have not been appropriated by the Board of Directors.

REVENUE RECOGNITION

The majority of the Organization's revenue is earned under cost-reimbursement awards from governmental agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities. Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as liabilities. Deposits received from customers prior to the date of the performance of services are recorded as deferred revenue.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, 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 as net assets released from restrictions. Unconditional gifts that are originally restricted by the donor and for which restriction is met in the same time period are recorded as contributions with donor restrictions and then released from restriction. Conditional contributions, which are those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been met.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GRANTS AND OTHER RECEIVABLES

Step-Up, Inc.'s receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

INVESTMENTS

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation for furniture and equipment is computed using the straight-line method over estimated useful lives of 5-7 years.

When property is sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred.

Accounting for the Impairment or Disposal of Long-Lived Assets guidance requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This guidance has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

USE OF 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 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.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB Accounting Standards Codification topic “Fair Value Measurement” defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization’s principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Organization has an investment account consisting of mutual funds, exchange-traded funds, and money market funds. These investments are considered level 1 and are traded in active exchange markets, such as the New York Stock Exchange.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

FUNCTIONAL EXPENSE ALLOCATION

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations. The most significant allocations are salaries and related expenses, which were allocated based upon estimates of time spent by the Organization personnel, and occupancy and depreciation, which were allocated based on the use of resources.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 24, 2023, which is the date the financial statements were available to be issued.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Organization implemented this standard on January 1, 2022.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization’s cash and cash equivalents are on deposit with three financial institutions, having branches in the local area. Each account is insured by the FDIC for up to \$250,000 for the years ended December 31, 2022 and 2021. The Organization’s uninsured balance at December 31, 2022 and 2021 was \$214,401 and \$409,099, respectively.

Step-up received a significant amount of its funding from the 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.

NOTE 3 – GRANTS RECEIVABLE

The Organization’s grant receivables consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Federal programs (direct and pass-through)	\$ 466,080	\$ 333,839
State, local, and other programs	<u>43,006</u>	<u>153,834</u>
Total	<u>\$ 509,086</u>	<u>\$ 487,673</u>

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – INVESTMENTS

The Organization’s investments are presented in the financial statements at fair value based on quoted market prices.

	2022	2021
Mutual funds	\$ 114,247	\$ -
Exchange-traded funds	72,423	-
Cash	3,112	-
Total December 31, 2022	\$ 189,782	\$ -

Investment income for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Dividends	\$ 4,459	\$ -
Unrealized Gain(Loss)	(13,272)	-
Fees	(1,405)	-
	\$ (10,218)	\$ -

NOTE 5 – PROPERTY AND EQUIPMENT

The Organization’s property and equipment are as follows on December 31:

	2022	2021
Furniture and equipment	\$ 117,759	\$ 130,085
	117,759	130,085
Less: accumulated depreciation	(95,606)	(85,839)
	\$ 22,153	\$ 44,246

Depreciation expense was \$20,243 and \$73,759 for the years ended December 31, 2022 and 2021, respectively.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Community Solutions (COAP)	\$ 28,288	\$ 29,945
340B CPG	11,230	-
Indiana Aids Fund (administrative wages)	21,087	-
Christel DeHaan Family Foundation (reentry)	18,089	24,628
CICF Elevation Grant (reentry)	82,276	-
NAP	<u>5,800</u>	<u>-</u>
Restricted net assets	<u>\$ 166,770</u>	<u>\$ 54,573</u>

NOTE 7 – LEASES

The Organization has a lease for office space which commenced July 1, 2019, and will expire September 30, 2024. Monthly payments were \$7,354, increasing each year based on the lease.

In August 2021, a new lease addendum was signed, extending the lease until September 2028. Monthly payments started at \$7,605 and increase each year. Prior to the implementation of the new lease standard implemented January 1, 2022, lease expense was recorded on a straight-line basis over the lease term resulting in a lease liability as of December 31, 2021, of \$16,550. Lease expense for the year ended December 31, 2021, was \$92,037.

As of January 1, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, Leases, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The Organization used a risk-free discount rate to determine present value and has elected not to recognize short-term leases (twelve months or less) on the statement of financial position.

For the year ended December 31, 2022, rent expense was \$96,162.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 – LEASES – (continued)

The following is a schedule by years of minimum future payment on the operating lease and the amortization of the net present value of the lease liability as of December 31, 2022.

Year ending December 31:	<u>Minimum annual lease payments</u>	<u>Amortization of NPV of lease liability</u>
2023	\$ 92,946	\$ 80,571
2024	94,977	84,781
2025	97,008	89,103
2026	99,040	93,540
2027	101,072	98,096
Thereafter	<u>59,650</u>	<u>59,129</u>
	<u>\$ 544,693</u>	<u>\$ 505,220</u>
Accumulated basis	\$ 612,617	
Less accumulated amortization	<u>(115,185)</u>	
	<u>\$ 497,432</u>	
Weighted-average remaining lease term in years	6.58	
Weighted-average discount rate	2.64%	

NOTE 8 – CONDITIONAL CONTRIBUTIONS

Step-Up has numerous grants for which the grantor agencies' promises to give are conditioned upon Step-Up incurring certain qualifying expenses under the grant programs. At December 31, 2022 and 2021, Step-Up had remaining available award balances on federal government conditional grants and contracts of \$1,627,783 and \$1,129,173 respectively. These award balances are not recognized as assets and will be recognized as revenue without donor restrictions as the conditions are met, generally as qualifying expenses are incurred.

STEP-UP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 – INFORMATION ABOUT LIQUIDITY

Step-Up, Inc. has \$994,805 and \$1,094,899 of available financial assets as of December 31, 2022 and 2021, respectively. Certain financial assets are subject to donor or other external contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

The following represents financial assets available for cash needs for general expenditures within one year:

	<u>2022</u>	<u>2021</u>
Cash	\$ 462,707	\$ 661,799
Investments	189,782	-
Grants receivables	<u>509,086</u>	<u>487,673</u>
 Total financial assets	 1,161,575	 1,149,472
 Donor restrictions	 <u>(166,770)</u>	 <u>(54,573)</u>
 Financial assets available for cash needs for general expenditures within one year	 <u>\$ 994,805</u>	 <u>\$ 1,094,899</u>

SINGLE AUDIT SECTION

STEP-UP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Award</u>	<u>Federal Expenditures</u>
U.S. Department of Human Services				
Passed through the Indiana State Department of Health:				
HIV Care Formula Grants	93.917	40093917RWREB23	838,000	\$ 626,287
HIV Care Formula Grants	93.917	40093917RWREB23	419,000	<u>161,135</u>
Subtotal				<u>787,422</u>
HIV Prevention Activities Health Department Based	93.940	50226	348,000	<u>174,000</u>
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	55724	130,000	<u>68,008</u>
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	61485	326,233	299,641
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	44603	10,000	<u>9,994</u>
Total for 93.944				<u>309,635</u>
Total State Department of Health				<u>1,339,065</u>
Passed through the Marion County Public Health Department:				
HIV Emergency Relief Grants	93.914	20-21 Carryover		9,258
HIV Emergency Relief Grants	93.914	2022-2023	407,000	399,717
HIV Emergency Relief Grants	93.914	2021-2022	495,000	70,270
HIV Emergency Relief Grants	93.914	21-22 Carryover		<u>15,806</u>
Total for 93.914				<u>495,051</u>
HIV Prevention Activities Health Department Based	93.940	2022-2023	215,000	70,094
HIV Prevention Activities Health Department Based	93.940	2021-2022	165,853	54,441
HIV Prevention Activities Health Department Based	93.940	2021-2022	165,853	<u>49,535</u>
Subtotal				<u>174,070</u>
Preventative Health Services STD Control	93.977	2022	8,000	<u>7,910</u>
Total Marion County Public Health Department				<u>677,031</u>
Passed through from Northwest University:				
Mental Health Research Grants	93.242	60054206 SUI	19,512	<u>9,731</u>
Passed through Indiana Aids Fund:				
HIV Care Formula Grants	93.917	22-1548		<u>40,201</u>
Total U.S. Dept of Health and Human Services				<u>2,066,027</u>
Total Federal Expenditures				<u>\$ 2,066,027</u>

See Notes to Schedule of Expenditures of Federal Awards

STEP-UP, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Step-Up, Inc. and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 – Indirect Cost Rate

Step-Up, Inc. has elected not to use the 10% de minimis cost rate allowed under Uniform Guidance.

STEP-UP, INC.
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant or Identifying Number</u>	<u>Grant Award (in dollars \$)</u>	<u>State and Local Expenditures</u>
Passed through The Trustees of Indiana University:			
Indiana Peer Education Program 1	2019-2022	124,080	\$ 73,256
Indiana Peer Education Program Echo	2021-2022	81,000	67,266
Subtotal Indiana University			<u>140,522</u>
Passed through the Indiana Department of Health:			
Viral Hepatitis	62774	50,600	50,428
Viral Hepatitis	69031	120,000	16,636
Viral Hepatitis	44803	123,336	41,114
Viral Hepatitis	65583	62,000	58,034
Community Action Group	35738	220,000	149,146
Community Action Group	35738	220,000	66,571
Subtotal Indiana Department of Health			<u>381,929</u>
Total Expenditures of State and Local Awards			<u><u>\$ 522,451</u></u>

STEP-UP, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2021.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2021.



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**INDEPENDENT AUDITOR’S 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, Indiana

We have audited, 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, the financial statements of the Step-Up, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon July 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Step-Up, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Step-Up, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization’s internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
July 24, 2023



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE***

To the Board of Directors
Step-Up, Inc.
Bloomington, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Step-Up, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Step-Up, Inc.'s major federal programs for the year ended December 31, 2022. Step-Up, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Step-Up, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

We have audited Step-Up, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Step-Up, Inc.'s major federal programs for the year ended December 31, 2022. Step-Up, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Step-Up, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Step-Up, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Step-Up, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Step-Up, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Step-Up, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Step-Up, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Step-Up, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Step-Up, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

July 24, 2023

STEP-UP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Type of auditor’s report issued: Unmodified

Any audit findings disclosed required to be reported in
 Accordance with 2 CFR section 200.516(a) Yes No

Program tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grant

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

STEP-UP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2022.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2022.