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February 17, 2021


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 Barnes, Dennig & Co., Ltd, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. 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, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention the findings in the report on pages 21-24. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's response is including in the final paragraph of each finding.

In our opinion, Barnes, Dennig & Co., Ltd, prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

Step-Up, Inc.

**Financial Statements with Supplementary Information
December 31, 2019 and 2018, and
Independent Auditors' Report**

STEP-UP, INC
December 31, 2019 and 2018

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Step-Up, Inc. (Step-Up), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Step-Up, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note 1, Step-Up has adopted ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was 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 information 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 August 21, 2020, 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 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 Step-Up's internal control over financial reporting and compliance.



August 21, 2020
Indianapolis, Indiana

STEP-UP, INC

Statements of Financial Position December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> (As restated, Note 7)
Assets		
Cash	\$ 648,277	\$ 363,552
Accounts receivable	393,472	592,312
Other assets	14,707	-
Furniture and equipment, net	<u>245,863</u>	<u>43,390</u>
Total assets	<u>\$ 1,302,319</u>	<u>\$ 999,254</u>
Liabilities and Net Assets		
Liabilities		
Accrued payroll	\$ 50,260	\$ 43,066
Accrued vacation	21,525	19,520
Refundable advance	15,000	-
Deferred revenue	18,750	-
Accounts payable	<u>16,557</u>	<u>15,788</u>
Total liabilities	<u>122,092</u>	<u>78,374</u>
Net assets		
Without donor restrictions	1,120,227	874,880
With donor restrictions	<u>60,000</u>	<u>46,000</u>
Total net assets	<u>1,180,227</u>	<u>920,880</u>
Total liabilities and net assets	<u>\$ 1,302,319</u>	<u>\$ 999,254</u>

See accompanying notes to financial statements

STEP-UP, INC

**Statement of Activities
Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Government grants	\$ 1,960,841	\$ -	\$ 1,960,841
Contributions, foundation grants and other	107,704	260,000	367,704
Other contracts	18,750	-	18,750
Net assets released from restriction	246,000	(246,000)	-
	2,333,295	14,000	2,347,295
Total revenues and other support			
Expenses			
Program Expenses:			
Ryan White	826,117	-	826,117
Care coordinator	227,583	-	227,583
Community planning group	212,663	-	212,663
Community action groups	272,809	-	272,809
INPEP	71,081	-	71,081
Other programs	292,145	-	292,145
	1,902,398	-	1,902,398
Total program expenses			
Management and general	185,550	-	185,550
	2,087,948	-	2,087,948
Total expenses			
Change in net assets	245,347	14,000	259,347
Net assets, beginning of year	874,880	46,000	920,880
Net assets, end of year	\$ 1,120,227	\$ 60,000	\$ 1,180,227

See accompanying notes to financial statements

STEP-UP, INC

Statement of Activities Year Ended December 31, 2018 As Restated - Note 7

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Government grants	\$ 1,888,873	\$ -	\$ 1,888,873
Contributions, foundation grants and other	135,808	76,925	212,733
Net assets released from restriction	224,923	(224,923)	-
	<u>2,249,604</u>	<u>(147,998)</u>	<u>2,101,606</u>
Total revenues and other support			
Expenses			
Program expenses:			
Ryan White	809,670	-	809,670
Care coordinator	265,610	-	265,610
Community planning group	258,246	-	258,246
Community action groups	199,053	-	199,053
I-MAP	152,424	-	152,424
Other programs	140,565	-	140,565
	<u>1,825,568</u>	<u>-</u>	<u>1,825,568</u>
Total program expenses			
Management and general	116,154	-	116,154
	<u>1,941,722</u>	<u>-</u>	<u>1,941,722</u>
Total expenses			
Change in net assets	307,882	(147,998)	159,884
Net assets, beginning of year	<u>566,998</u>	<u>193,998</u>	<u>760,996</u>
Net assets, end of year	<u>\$ 874,880</u>	<u>\$ 46,000</u>	<u>\$ 920,880</u>

See accompanying notes to financial statements

STEP-UP, INC

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services						Management and General	Total Expenses	
	Ryan White	Care Coordinator	Community Planning Group	Community Action Groups	INPEP	Other Programs			Total Program Services
Personnel expenses	\$ 568,321	\$ 189,556	\$ 160,627	\$ 108,251	\$ 55,401	\$ 123,343	\$ 1,205,499	\$ 65,345	\$ 1,270,844
Client assistance	155,813	1,833	185	-	-	131,050	288,881	112	288,993
Pass through expense	-	4,056	25,440	140,933	-	4,825	175,254	3,936	179,190
Supplies and expendables	29,527	5,679	7,177	2,329	1,603	6,205	52,520	2,244	54,764
Trainings, conferences and travel	12,376	12,624	4,488	12,292	10,460	8,875	61,115	12,736	73,851
Rent	21,741	6,860	6,145	3,260	1,594	4,361	43,961	10,000	53,961
Professional services and fees	22,359	2,113	3,884	3,363	682	4,640	37,041	3,867	40,908
Miscellaneous	3,703	777	986	756	463	6,490	13,175	68,314	81,489
Telephone	5,468	1,937	1,806	604	379	990	11,184	2,544	13,728
Depreciation	6,809	2,148	1,925	1,021	499	1,366	13,768	16,452	30,220
Total expenses	\$ 826,117	\$ 227,583	\$ 212,663	\$ 272,809	\$ 71,081	\$ 292,145	\$ 1,902,398	\$ 185,550	\$ 2,087,948

See accompanying notes to financial statements

STEP-UP, INC

**Statement of Functional Expenses
Year Ended December 31, 2018
As Restated - Note 7**

	Program Services						Total Program Services	Management and General	Total Expenses
	Ryan White	Care Coordinator	Community Planning Group	Community Action Groups	I-MAP	Other Programs			
Personnel expense	\$ 550,908	\$ 236,843	\$ 150,827	\$ 86,337	\$ 17,406	\$ 18,789	\$ 1,061,110	\$ 53,694	\$ 1,114,804
Client assistance	143,446	640	-	-	56,119	46,519	246,724	-	246,724
Pass through expense	-	-	25,468	99,929	70,427	40,287	236,111	-	236,111
Supplies and expendables	22,149	704	71,091	1,101	337	8,423	103,805	11,609	115,414
Trainings, conferences and travel	27,509	13,847	2,942	7,191	4,135	10,483	66,107	17,729	83,836
Rent	21,297	5,725	1,504	2,062	3,200	4,062	37,850	10,000	47,850
Professional services and fees	25,776	2,808	60	1,338	100	1,383	31,465	12,821	44,286
Miscellaneous	8,070	1,472	2,566	569	364	7,025	20,066	5,344	25,410
Telephone	5,256	3,535	1,902	526	285	894	12,398	317	12,715
Printing and publications	2,134	36	1,186	-	51	2,400	5,807	163	5,970
Depreciation	-	-	-	-	-	-	-	4,477	4,477
Grants to others	3,125	-	700	-	-	300	4,125	-	4,125
Total expenses	\$ 809,670	\$ 265,610	\$ 258,246	\$ 199,053	\$ 152,424	\$ 140,565	\$ 1,825,568	\$ 116,154	\$ 1,941,722

See accompanying note to financial statements

STEP-UP, INC

Statements of Cash Flows Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> (As restated, Note 7)
Cash flows from operating activities		
Change in net assets	\$ 259,347	\$ 159,884
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	30,220	4,477
Changes in:		
Accounts receivable	198,840	(370,143)
Other assets	(14,707)	-
Accrued payroll	7,194	43,066
Accrued vacation	2,005	19,520
Deferred revenue	15,000	-
Refundable advance	18,750	-
Accounts payable	769	11,015
	<u>517,418</u>	<u>(132,181)</u>
Net cash provided by (used in) operating activities		
	517,418	(132,181)
Cash flows from operating activities - equipment purchases	<u>(232,693)</u>	<u>(44,834)</u>
Net change in cash	284,725	(177,015)
Cash - beginning of year	<u>363,552</u>	<u>540,567</u>
Cash - end of year	<u>\$ 648,277</u>	<u>\$ 363,552</u>

See accompanying notes to financial statements

STEP-UP, INC

Notes to Financial Statements

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 abuse treatment.

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.

Indianapolis Men Advancing Prevention (I-MAP) – Provides extensive outreach and HIV testing to the Men Who Have Sex with Men (MSM) population.

Crime Prevention – Program designed to help reduce crime targeted against the HIV/AIDS community.

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.

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

TANF — Program to provide financial assistance with job preparation and work assistance.

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

Step-Up maintains its accounting records on the accrual basis.

Cash

Step-Up maintains its cash in deposit accounts that may at times exceed federally insured limits. Step-Up has not experienced any losses on its bank accounts and management believes that there is no significant exposure to credit risk related to cash and cash equivalents.

STEP-UP, INC

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grants and contributions receivable

Step-Up'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.

Furniture and Equipment

Expenditures for furniture and equipment are stated at cost, or, for donations, at fair value at the date of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets ranging from 5-7 years. Accumulated depreciation was \$61,671 and \$31,451 at December 31, 2019 and 2018, respectively.

Net Asset Classification

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, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When such restrictions are met, the net assets are released from restriction into net assets without donor restrictions. Step-Up, Inc. has no net assets with donor restrictions for which the donor stipulated that the contribution be maintained in perpetuity. Net assets with restrictions of \$60,000 and \$46,000 at December 31, 2019 and 2018, respectively, consists of various grant funds restricted for program activities.

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. Management believes that Step-Up has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

Contributions

Gifts of cash and other assets received without donor designations are reported as revenue and net assets without donor restrictions. Gifts received with a donor designation that limits their use are reported as revenue and net assets with donor restrictions. When a donor designated 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 statement 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 that are originally restricted by the donor and for which the restriction is met in the same period are recorded as revenue without donor restrictions.

STEP-UP, INC

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF THE ORGANIZATION AND 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 Step-Up personnel, and occupancy and depreciation, which were allocated based on use of resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Reclassifications

Certain reclassifications were made to the 2018 financial statements to be consistent with the 2019 presentation. These reclassifications had no effect on ending net assets for either year.

Effect of Adopting New Accounting Standards

During 2019, Step-Up adopted FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved previous guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarified how an entity determined whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also required that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The ASU has been applied using the modified prospective basis for all grants and contracts that were not completed as of January 1, 2019.

During 2019, the Center adopted FASB ASU 2014-09, *Revenue from Contracts with Customers ("Topic 606")*, using the modified retrospective approach to all contracts that were not completed as of the beginning of 2019. The standard's core principle is that an entity will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The most significant impact of the adoption of Topic 606 is expanded disclosures for revenue recognition.

STEP-UP, INC

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2022.

Step-Up is currently in the process of evaluating the impact of adoption of the ASU on the financial statements

Subsequent Events

Subsequent events have been evaluated through August 21, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 2 LIQUIDITY AND AVAILABILITY

Step-Up's financial assets available within one year of the statement of financial position date for general expenses are as follows:

	2019	2018 <small>(As restated, Note 7)</small>
Cash	\$ 648,277	\$ 363,552
Grants receivable	393,472	592,312
Net financial assets available	\$ 1,041,749	\$ 955,864

The following reflects Step-Up's total financial assets reduced by amounts not available for general use due to restrictions provided by donor-imposed restrictions within one year of the statement of financial position date.

	2019	2018
Financial assets available, per above	\$ 1,041,749	\$ 955,864
Less those unavailable for general expenditure due to:		
Net assets with donor restrictions (purpose restrictions)	(60,000)	(46,000)
Net financial assets available	\$ 981,749	\$ 909,864

As part of Step-Up's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and obligations come due. Step-Up operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures each year.

STEP-UP, INC

Notes to Financial Statements (Continued)

NOTE 3 LEASES

On March 1, 2015, Step-Up renewed their lease agreement for office space which extended the term of the lease to February 28, 2020. Monthly rent was \$3,050. In early 2017, Step-up agreed to an addendum to the lease for increased rental space with an increase in monthly rent to \$3,988. The lease term was extended to February 28, 2022.

In 2019, Step-Up's landlord approached Step-Up to determine if they would be able to relocate while the building undergoes renovation. The old lease was terminated without penalty and a new office space was located. The new lease commenced July 1, 2019 and expires September 30, 2024. Monthly payments are \$7,354 increasing each year based on the lease. Lease expense for 2019 and 2018 was \$53,961 and \$47,850 respectively.

The following is a schedule of future minimum lease payments:

2020	\$	66,692
2021		89,771
2022		91,299
2023		93,335
2024		70,765

NOTE 4 CONCENTRATION OF FUNDING RISK

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 5 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, 2019 and 2018, Step-Up had remaining available award balances on federal government conditional grants and contracts of \$544,766 and \$686,842 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.

NOTE 6 SERVICE CONTRACTS

During 2019, Step-Up entered into a contract with another organization to provide care coordination and peer recovery specialist services to adults who have a history of opioid abuse. These services represent a single performance obligation. Step-Up earns a fee for each quarter the services are performed. Revenue is recognized over the course of the contract as the work for each quarter is completed. Fees received in advance are deferred until the work is completed for that quarter. Revenue recognized in 2019 was \$18,750. Deferred revenue under the contract is \$18,750 at December 31, 2019. The total revenue expected under the contract is \$187,500.

STEP-UP, INC

Notes to Financial Statements (Continued)

NOTE 7 PRIOR PERIOD ADJUSTMENT

During 2019, it was noted that 2018 revenue and accounts receivable was not recorded and that vacation accrual was not recorded. The effect on the 2018 financial statements on the restatement resulted in an increase of \$46,000 of contributions revenue and accounts receivable and an increase in accrued liabilities and expense of \$19,520. Net assets with donor restrictions at December 31, 2018 was increased by \$46,000 and net assets without donor restrictions was decreased by \$19,520. There was no impact on net assets for 2019.

NOTE 8 SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated closings of some of Step-Up's programs. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, Step-Up expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 29, 2020, Step-Up entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Payroll Protection Program (the Program) for \$26,700. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal installments of principal.

SUPPLEMENTAL INFORMATION

STEP-UP, INC.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Dept. of Health & Human Services:			
Passed through Indiana State Department of Health			
HIV Care Formula Grants	93.917	24578	\$ 402,429
	93.917	23719	257,138
	93.917	20191	<u>54,978</u>
Total CFDA # 93.917			<u>714,545</u>
HIV Prevention Activities Health Department Based	93.940	24617	<u>172,323</u>
Total Indiana State Department of Health			<u>886,868</u>
Passed through Indiana State Department of Corrections			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	22900	<u>93,128</u>
Passed through Marion County Public Health Department			
HIV Emergency Relief Project Grants	93.914	H89HA11463	483,907
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00112	56,012
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		<u>3,106</u>
Total Marion County Public Department of Health			<u>543,025</u>
Total Federal Expenditures			<u>\$1,523,021</u>

STEP-UP, INC.

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2019

The following describes the significant accounting policies used in the preparation of the schedule of expenditures of federal awards:

Basis of Presentation – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Step-Up, Inc. under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of Step-Up, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of the Step-Up, Inc.

Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained the Uniform Guidance, whereby certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. No election has been made regarding the 10% de minimis indirect cost rate.

Subrecipients – Step-Up provided no federal awards to subrecipients.

**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 Step-Up, Inc (Step-Up), which comprise the statements of financial position as December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Step-Up's internal control over financial reporting (internal control) to determine the 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 Step-Up's internal control. Accordingly, we do not express an opinion on the effectiveness of the Step-Up's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned as item 2019-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2019-02 to be a significant deficiency.

**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
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Step-Up'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*.

Step-Up's Response to Findings

Step-Up's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Step-Up's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Step-Up's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Step-Up's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



August 21, 2020
Indianapolis, Indiana

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Step-Up Inc's (Step-Up) 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's major federal programs for the year ended December 31, 2019. Step-Up's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Step-Up's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Step-Up's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Step-Up's compliance.

Opinion on Each Major Federal Program

In our opinion, Step-Up 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, 2019.

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by Uniform Guidance
(Continued)**

Report on Internal Control over Compliance

Management of Step-Up is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Step-Up's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Step-Up's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-03 and 2019-04, that we consider to be significant deficiencies.

Step-Up's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Step-Up's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



August 21, 2020
Indianapolis, Indiana

STEP-UP, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

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? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? Yes X No

Identification of major programs

<u>CFDA #</u>	<u>Name of Federal Programs or Clusters</u>
93.917	HIV Care Formula Grants

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

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs - Continued
Year Ended December 31, 2019

Section II - Financial Statement Findings

Finding 2019-01:	Audit Adjustments
Condition:	Various audit entries were necessary to correct account balances
Criteria:	Financial statements should be free of material misstatements
Cause:	Lack of reconciliations and review on significant general ledger accounts; recording transactions on a cash basis
Potential Effect:	Financial statements could be materially misstated
Recommendation:	Finance director should post all current year entries and monitor balances and reconciliations moving forward to ensure correct numbers
Management's Response:	In the past 2 years Step-Up has changed the Executive Director and the Director of Finance. Many changes have been made to improve financial controls and monitoring. As an additional means of improvement, tighter control policies have now been produced for the performance of reconciliations and reviewing significant general ledger accounts
Finding 2019-02:	Segregation of duties
Condition:	Lack of segregation of duties in cash receipts, disbursements and payroll processes
Criteria:	Proper segregation of duties is required to prevent, deter, and detect fraud in an organization
Cause:	Limited staff available for segregating duties. Procedures performed primarily by single staff
Potential Effect:	Potential fraud or errors could be made to the financial statements leading to the financial statements being misstated
Recommendation:	There should be separate individuals that have access to assets via cash receipts or ability to generate a payment and who is recording such transactions. There should be direct review of financial activities by another individual. For example, a review of the payroll report to ensure payroll is accurate

Schedule of Findings and Questioned Costs - Continued
Year Ended December 31, 2019

Section II - Financial Statement Findings (Continued)

Management's
Response:

Step-Up has one full-time financial staff member and therefore has limited internal segregation of duties. In the past couple of years, we have added additional safeguards in place, including the use of an outside Bookkeeper to review all QuickBooks transactions and to assist with all bank reconciliations. While this has not eliminated all risk, it has substantially reduced major vulnerabilities. New tighter control policies have been generated for cash receipts, payment disbursements and payroll reporting, which are now being utilized. This will include the use of separate Step-Up staff to receive, record and deposit cash receipts. Currently, the Finance Director may produce checks for reimbursements but may not sign the checks. Director staff will continue to sign checks. Additional steps of adding another staff member to review disbursement documentation and mail the signed disbursements will be added. On payroll, currently staff members verify their timecards as do their supervisors and then the Finance Director processes those for payment. Additional oversight will be added to routinely review changes to payroll data changes and to verify appropriate processing has occurred.

Section III - Federal Award Findings and Questioned Costs

Finding 2019-03: Controls surrounding payroll charged to grants

Condition: Inconsistencies in controls over the calculation of amounts charged to grants and errors in time/effort reporting

Criteria: Amount of payroll charged to grants should accurately reflect time and effort spent by personnel on the program

Cause: Controls are not in place to ensure billing of payroll to grants is calculated correctly and to ensure billing of payroll accurately reflects the time spent on the program

Potential Effect: Potential for incorrect charges to grants

Recommendation: There should be documented controls for how time spent on grants is tracked and calculated. This process should be followed for every pay cycle.

Management's
Response:

Payroll reporting to grants have had multiple improvements over the past 2 years, including moving from hand-written notes on payroll report to allocate payroll to excel spreadsheet for more accuracy. Although time/effort sheets are maintained, they are not used to charge grants. Charges come from timesheets which reflect actual hours spent.

New tighter control policies have been generated for allocating payroll calculations, review and signing-off on the reviews and making sure that timesheets and time and effort forms reflect the same information. Also, new time/effort certifications have been updated to begin on 6/28/2020.

Schedule of Findings and Questioned Costs - Continued
Year Ended December 31, 2019

Section III - Federal Award Findings and Questioned Costs (Continued)

2019-04:	Written policies for financial procedures related to federal grants
Condition:	Step-Up does not have approved written financial policies and procedures
Criteria:	An organization should have documented financial controls related to grant administration, including procurement policies
Cause:	Controls are not in place to ensure grants are administrated correctly
Potential Effect:	Potential for incorrect charges to grants
Recommendation:	There should be documented controls for financial procedures, including grant administration and procurement policies
Management's Response:	In the past 2 years we changed Executive Directors and Finance Directors. Upon arrival, there was no comprehensive financial policies and procedures. We have a working draft of our Fiscal Policy. Along with the Fiscal Policy draft, we have the multiple other written policies that had not been incorporated into the draft to get it finalized. Bookkeeping Plus (an accounting and consulting company), the Executive Director and the Finance Director will complete work on the final draft which will be presented to the Step-Up board for approval at an upcoming meeting.

STEP-UP, INC.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019**

Reference Number	Summary of Finding	Status
2018-01	Various audit entries were required to correct account balances.	See 2019-01