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February 2, 2022

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

We have reviewed the audit report of Step-Up, Incorporated, which was opined upon by Barnes Dennig & Company, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Step-Up, Incorporated as of December 31, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Barnes Dennig & Company 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

Step-Up, Inc.

**Financial Statements with Supplementary Information
December 31, 2020 and 2019, and
Independent Auditors' Report**

STEP-UP, INC
December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

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 26, 2021, 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 26, 2021
Indianapolis, Indiana

STEP-UP, INC

Statements of Financial Position December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 620,731	\$ 648,277
Accounts receivable	486,484	393,472
Other assets	34,612	14,707
Property and equipment, net	<u>118,005</u>	<u>245,863</u>
Total assets	<u>\$ 1,259,832</u>	<u>\$ 1,302,319</u>
Liabilities and Net Assets		
Liabilities		
Accrued payroll	\$ 22,333	\$ 50,260
Accounts payable	40,339	16,557
Accrued vacation	37,066	21,525
Refundable advance	51,358	15,000
Deferred revenue	18,750	18,750
Straight-line lease liability	<u>19,467</u>	<u>-</u>
Total liabilities	<u>189,313</u>	<u>122,092</u>
Net assets		
Without donor restrictions	1,020,524	1,120,227
With donor restrictions	<u>49,995</u>	<u>60,000</u>
Total net assets	<u>1,070,519</u>	<u>1,180,227</u>
Total liabilities and net assets	<u>\$ 1,259,832</u>	<u>\$ 1,302,319</u>

See accompanying notes to financial statements

STEP-UP, INC

**Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Government grants	\$ 1,939,285	\$ -	\$ 1,939,285
Contributions, foundation grants and other	74,647	70,250	144,897
Other contracts	126,211	-	126,211
PPP loan forgiveness income	26,700	-	26,700
Net assets released from restriction	80,255	(80,255)	-
Total revenues and other support	2,247,098	(10,005)	2,237,093
Expenses			
Program Expenses:			
Ryan White	1,002,005	-	1,002,005
Care coordinator	250,352	-	250,352
Community planning group	229,128	-	229,128
Community action groups	187,110	-	187,110
INPEP	101,159	-	101,159
Other programs	434,795	-	434,795
Total program expenses	2,204,549	-	2,204,549
Management and general	142,252	-	142,252
Total expenses	2,346,801	-	2,346,801
Change in net assets	(99,703)	(10,005)	(109,708)
Net assets, beginning of year	1,120,227	60,000	1,180,227
Net assets, end of year	\$ 1,020,524	\$ 49,995	\$ 1,070,519

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)	-
Total revenues and other support	<u>2,333,295</u>	<u>14,000</u>	<u>2,347,295</u>
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
Total program expenses	1,902,398	-	1,902,398
Management and general	185,550	-	185,550
Total expenses	<u>2,087,948</u>	<u>-</u>	<u>2,087,948</u>
Change in net assets	245,347	14,000	259,347
Net assets, beginning of year	<u>874,880</u>	<u>46,000</u>	<u>920,880</u>
Net assets, end of year	<u>\$ 1,120,227</u>	<u>\$ 60,000</u>	<u>\$ 1,180,227</u>

See accompanying notes to financial statements

STEP-UP, INC

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services						Total Program Services	Management and General	Total Expenses
	Ryan White	Care Coordinator	Community Planning Group	Community Action Groups	INPEP	Other Programs			
Personnel expenses	\$ 658,258	\$ 201,501	\$ 193,651	\$ 67,280	\$ 84,078	\$ 211,838	\$ 1,416,606	\$ 44,661	\$ 1,461,267
Client assistance	175,651	3,591	-	-	379	79,871	259,492	-	259,492
Pass through expense	-	-	-	104,180	-	25,120	129,300	14,566	143,866
Supplies and expendables	30,428	11,293	5,978	2,149	2,319	52,201	104,368	14,323	118,691
Trainings, conferences and travel	22,029	7,206	4,148	2,050	3,090	12,749	51,272	1,225	52,497
Rent	43,809	8,611	9,067	2,371	4,602	13,577	82,037	10,000	92,037
Professional services and fees	8,260	3,489	3,646	1,018	916	18,258	35,587	11,086	46,673
Miscellaneous	8,641	3,363	791	4,486	8	3,890	21,179	13,764	34,943
Telephone	3,553	1,665	1,144	365	415	1,236	8,378	1,099	9,477
Depreciation	51,376	9,633	10,703	3,211	5,352	16,055	96,330	31,528	127,858
Total expenses	\$ 1,002,005	\$ 250,352	\$ 229,128	\$ 187,110	\$ 101,159	\$ 434,795	\$ 2,204,549	\$ 142,252	\$ 2,346,801

See accompanying note to financial statements

STEP-UP, INC

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

	Program Services						Total Program Services	Management and General	Total Expenses
	Ryan White	Care Coordinator	Community Planning Group	Community Action Groups	INPEP	Other Programs			
Personnel expense	\$ 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

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (109,708)	\$ 259,347
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	127,858	30,220
PPP loan forgiveness	(26,700)	-
Changes in:		
Accounts receivable	(93,012)	198,840
Other assets	(19,905)	(14,707)
Accrued payroll	(27,927)	7,194
Accrued vacation	15,541	2,005
Deferred revenue	-	15,000
Refundable advance	36,358	18,750
Straight line lease liability	19,467	-
Accounts payable	<u>23,782</u>	<u>769</u>
Net cash provided by (used in) operating activities	(54,246)	517,418
Cash flows from operating activities - equipment purchases	-	(232,693)
Cash flows from financing activities - PPP loan proceeds	<u>26,700</u>	<u>-</u>
Net change in cash	(27,546)	284,725
Cash - beginning of year	<u>648,277</u>	<u>363,552</u>
Cash - end of year	<u>\$ 620,731</u>	<u>\$ 648,277</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 in accordance with generally accepted accounting principles (GAAP).

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 (CONTINUED)

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.

Property and Equipment

Expenditures for property and equipment are stated at cost, or, for donations, at fair value at the date of donation. Depreciation for furniture and equipment is computed using the straight-line basis over the estimated useful lives of the assets ranging from 5-7 years. Depreciation for leasehold improvements is computed using the straight-line basis over the life of the lease. Property and equipment at December 31, 2020 and 2019 consists of leasehold improvements at of \$177,449 and furniture and equipment of \$130,085. Accumulated depreciation was \$189,529 and \$61,671 at December 31, 2020 and 2019, 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 \$49,995 and \$60,000 at December 31, 2020 and 2019, 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.

STEP-UP, INC

Notes to Financial Statements (Continued)

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

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, 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. 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.

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.

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 26, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

STEP-UP, INC

Notes to Financial Statements (Continued)

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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 620,731	\$ 648,277
Grants receivable	<u>486,484</u>	<u>393,472</u>
Net financial assets available	1,107,215	1,041,749
Less net assets with donor restrictions	<u>(49,995)</u>	<u>(60,000)</u>
Net financial assets available	<u>\$ 1,057,220</u>	<u>\$ 981,749</u>

The above 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. 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.

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 2020 and 2019 was \$92,037 and \$53,961 respectively.

The following is a schedule of future minimum lease payments:

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.

STEP-UP, INC

Notes to Financial Statements (Continued)

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, 2020 and 2019, Step-Up had remaining available award balances on federal government conditional grants and contracts of \$913,390 and \$544,766 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 2020 and 2019 was \$77,211 and \$18,750, respectively. Deferred revenue under the contract is \$18,750 at December 31, 2020 and 2019. The total revenue expected under the contract is \$187,500.

During 2020, Step-Up entered into a contract with the City of Indianapolis to provide remote learning outreach for violence prevention, referred to as the No-Entry program. These services represent a bundle of services that are not capable of being distinct and therefore are treated as a single performance obligation satisfied over time as services are rendered. Revenue is recognized over time as the services are performed. Revenue recognized under the contract was \$49,000 in 2020. The contract ended December 30, 2020.

NOTE 7 **PAYCHECK PROTECTION PROGRAM**

On April 29, 2020, Step-Up entered into a loan agreement pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES act) Paycheck Protection Program (the Program) for \$26,700. Step-Up elected to apply debt guidance pursuant to Accounting Standards Codification (ASC) 470 to recognize the PPP loan as debt until legally forgiven. On November 21, 2020, the loan was forgiven in full and recognized as income.

NOTE 8 **COVID-19 PANDEMIC**

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Step-Up's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which Step-Up operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

SUPPLEMENTAL INFORMATION

STEP-UP, INC.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

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	\$ 341,963
HIV Care Formula Grants	94.917	46917	146,869
HIV Care Formula Grants	93.917	20191	238,372
HIV Care Formula Grants	93.917	40489	<u>224,872</u>
Total CFDA # 93.917			952,076
HIV Prevention Activities Health Department Based	93.940	24617	<u>9,259</u>
Total Indiana State Department of Health			<u>961,335</u>
Passed through Marion County Public Health Department			
HIV Emergency Relief Project Grants	93.914	H89HA11463	415,212
<i>COVID-19 Related Funding</i> HIV Emergency Relief Project Grants	93.914	9AHA36959	<u>42,680</u>
Total CFDA # 93.914			457,892
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00112	109,652
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		<u>5,452</u>
Total Marion County Public Department of Health			<u>572,996</u>
Total Federal Expenditures			<u><u>\$ 1,534,331</u></u>

STEP-UP, INC.

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2020

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, 2020. 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 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 in 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, 2020 and 2019, 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 26, 2021.

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) 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 Step-Up's internal control. Accordingly, we do not express an opinion on the effectiveness of the Step-Up'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 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. 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-01 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Step-Up's financial statements are free from 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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)**

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.

Barnes, Dennig & Co., Ltd.

August 26, 2021
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, 2020. 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, 2020.

**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 2020-02 and 2020-03, 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 26, 2021
Indianapolis, Indiana

STEP-UP, INC.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

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 X 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

STEP-UP, INC.

Schedule of Findings and Questioned Costs - Continued Year Ended December 31, 2020

Section II - Financial Statement Findings

Finding 2020-01:	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

Management's
Response:

Receipts:

We are perplexed that the lack of segregation of duties was removed in the 2018 audit and while we made additional significant improvements in 2019, it was identified as a finding in the 2019 audit. Furthermore, once we received the 2019 audit draft in June 2020, we began making additional changes immediately. The lack of segregation of duties finding is being continued on the 2020 audit. In reality, we could not go back in time and make changes to what happened in early 2020. Also, in 2020 the pandemic officially closed our office, and everyone had to work from home. Like most businesses, we had to make decisions quickly and try to keep everything functioning. To keep serving the needs of our clients, we had to modify most of our operations. This included the Director of Finance working from home also and continuing to handle the finances. Prior to our office closing, our agency created a work from home process & procedures document and a memo explaining the need to adjust our finance operations. Although there were strict travel mandates in place, the Director of Finance dropped by the office weekly to pick up the mail and process the needed items. The Executive Director monitored the agencies bank accounts at least 3 times a week, during normal times and also during the pandemic. No issues were identified.

STEP-UP, INC.

Schedule of Findings and Questioned Costs - Continued Year Ended December 31, 2020

Section II - Financial Statement Findings (Continued)

Management's Response (Continued):

Outside of the pandemic timeframe, the Executive Director would and still does open all the mail. When a check arrives, the Executive Director verifies the funds utilizing a shared Excel funds tracker and the Executive Director continues to monitor the bank accounts at least 3 times a week. The Director of Finance prepares the deposit slip, hands it off to a designated employee (the receptionist) to transport the deposit to the bank. Once the employee returns, they make two copies of each bank deposit slip and gives them to the Executive Director. The Executive Director initials the copies of the bank deposit slips and hands them off to the Director of Finance. The Director of Finance enters the received deposit in QuickBooks and files the two copies in the Bookkeepers file. The Bookkeeper is an outside consultant that reviews every transaction in QuickBooks, including all deposits and uses red ink to initial all documents. The Bookkeeper performs the monthly reconciliations. If the Bookkeeper identifies any issues, an email is sent to the Executive Director and the Director of Finance to resolve and provide the Bookkeeper with an answer.

Disbursements:

The Director of Finance does generate the checks for payment but does not have signing authorization. The Director of Finance paperclips the printed unsigned check to the invoice/back up documentation and provides it to an authorized signer. The authorized signer reviews the invoice/back up documentation to the printed check for accuracy, prior to signing. Once signed, everything is given back to the Director of Finance. The Director of Finance prepares the envelope and hands it off to a designed employee (the receptionist) to be **mailed**.

Payroll:

Each employee is required to go inside the payroll system at the end of every pay period and do a checkoff of verifying their time. The Program Directors (supervisors) are required to do a checkoff of each of their direct reports. The Executive Director reviews all timecards, prior to the Director of Finance processing the payroll. After the payroll is processed, the agencies payroll specialist reviews the data for any unusual activity. Once approved, the Executive Director and the Director of Finance receive an email stating that it has been approved. The Director of Finance does not have any direct reports.

*Audit states "Potential fraud or errors could be made to the financial statements leading to the financial statement being misstated". No fraud or errors were identified.

*In early 2019, our 2018 audit was performed by your agency, and it noted that the 2017 lack of segregation of duties in cash receipts disbursement and payroll process was cleared.

STEP-UP, INC.

Schedule of Findings and Questioned Costs - Continued Year Ended December 31, 2020

Section II - Financial Statement Findings (Continued)

Management's
Response (Continued):

We feel that adequate segregation of duties procedures are in place and are demonstrating effectiveness if judged from the time of notification of concern forward. This will be the case in the 2021 audit as well. We have implemented all suggested improvements and expect that this shall clear this finding moving forward.

Section III - Federal Award Findings and Questioned Costs

Finding 2020-02: 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:

2 errors were communicated to us, after questioning this finding.

1. One employee in August showed 100% charged to a grant per the Time and Effort form, but only 82% was charged to the grant. a. The grant was billed only 82%, due to the employee having COVID and the 18% was subsidized by the government and not charged to the grant.

2. One employee in August, there was not Time and Effort form. a. The employee resigned approximately one month prior to the Time and Effort due date. The transition wasn't smooth because the exiting employee did not depart on the best terms. It was not a priority to obtain this form. The employee's supervisor is confident with the employee's Time and Effort charged to the grant. Moving forward, we will make sure to obtain time and effort for all staff members prior to departure.

2020-03: Written policies for financial procedures related to federal grants

Condition: Step-Up does not have approved written financial policies and procedures

STEP-UP, INC.

**Schedule of Findings and Questioned Costs - Continued
Year Ended December 31, 2020**

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

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:

We are aware that our written Fiscal Policy and Procedures manual was not approved by our Board until January 2021, but since late 2018 both the Executive Director and the Director of Finance have been updating and adding controls & procedures to mitigate the agencies risk. As soon as these risks were identified, our agency modified the control and began using them right away. We began building and writing our Fiscal Policy and Procedures manual throughout 2019 and 2020, using a bookkeeping company as a consultant in the development. Along the way, discussions on the controls and procedures were brought up during our Board meetings. And again, we initiated the controls and procedures as the manual was being compiled.

In early 2019, our 2018 audit was performed by your audit firm and the audit did not note a finding for a written Fiscal Policy and Procedure manual approved by our Board.

We have long recognized the importance of written fiscal policies and now that they have been developed and approved, this should not be a finding in the future.

STEP-UP, INC.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020**

Reference Number	Summary of Finding	Status
2019-01	Various audit entries were required to correct account balances.	Resolved
2019-02	Lack of segregation of duties in cash receipts, disbursements and payroll processes	See 2020-01
2019-03	There were inconsistencies in controls over the calculation of amounts charged to grants and errors in time/effort reporting.	See 2020-02
2019-04	There were no written policies for financial procedures Related to federal grants.	See 2020-03