



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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October 14, 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 & Co., Ltd., Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. 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, 2021 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 & 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.


Tammy R. White, CPA
Deputy State Examiner

Step-Up, Inc.

**Financial Statements with Supplementary Information
December 31, 2021 and 2020, and
Independent Auditors' Report**

STEP-UP, INC
December 31, 2021 and 2020

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Independent Auditors' Report

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Step-Up, Inc. (Step-Up), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Step-Up, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Step-Up's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Step-Up's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2022, 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.

Barnes, Dennig & Co., Ltd.

June 7, 2022
Indianapolis, Indiana

STEP-UP, INC

Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 661,799	\$ 620,731
Grants receivable	487,673	486,484
Other assets	42,704	34,612
Property and equipment, net	<u>44,246</u>	<u>118,005</u>
Total assets	<u>\$ 1,236,422</u>	<u>\$ 1,259,832</u>
Liabilities and Net Assets		
Liabilities		
Accrued payroll	\$ 30,250	\$ 22,333
Accounts payable	43,942	40,339
Accrued vacation	22,634	37,066
Refundable advance	-	51,358
Deferred revenue	-	18,750
Straight-line lease liability	<u>16,550</u>	<u>19,467</u>
Total liabilities	<u>113,376</u>	<u>189,313</u>
Net assets		
Without donor restrictions	1,068,473	1,020,524
With donor restrictions	<u>54,573</u>	<u>49,995</u>
Total net assets	<u>1,123,046</u>	<u>1,070,519</u>
Total liabilities and net assets	<u>\$ 1,236,422</u>	<u>\$ 1,259,832</u>

See accompanying notes to financial statements

STEP-UP, INC

**Statement of Activities
Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Government grants	\$ 2,272,666	\$ -	\$ 2,272,666
Contributions, foundation grants and other	89,213	194,825	284,038
Other contracts	100,887	-	100,887
Net assets released from restriction	190,247	(190,247)	-
	<u>2,653,013</u>	<u>4,578</u>	<u>2,657,591</u>
Total revenues and other support			
Expenses			
Program Expenses:			
Ryan White	1,286,795	-	1,286,795
Community planning group	162,404	-	162,404
Community action groups	223,044	-	223,044
INPEP	180,798	-	180,798
Other programs	573,114	-	573,114
	<u>2,426,155</u>	<u>-</u>	<u>2,426,155</u>
Total program expenses			
Management and general	178,909	-	178,909
	<u>178,909</u>	<u>-</u>	<u>178,909</u>
Total expenses	<u>2,605,064</u>	<u>-</u>	<u>2,605,064</u>
Change in net assets	47,949	4,578	52,527
Net assets, beginning of year	<u>1,020,524</u>	<u>49,995</u>	<u>1,070,519</u>
Net assets, end of year	<u>\$ 1,068,473</u>	<u>\$ 54,573</u>	<u>\$ 1,123,046</u>

See accompanying notes to financial statements

STEP-UP, INC

Statement of Activities Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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)	-
	<u>2,247,098</u>	<u>(10,005)</u>	<u>2,237,093</u>
Total revenues and other support			
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
	<u>2,204,549</u>	<u>-</u>	<u>2,204,549</u>
Total program expenses			
Management and general	142,252	-	142,252
	<u>2,346,801</u>	<u>-</u>	<u>2,346,801</u>
Total expenses			
Change in net assets	(99,703)	(10,005)	(109,708)
Net assets, beginning of year	<u>1,120,227</u>	<u>60,000</u>	<u>1,180,227</u>
Net assets, end of year	<u>\$ 1,020,524</u>	<u>\$ 49,995</u>	<u>\$ 1,070,519</u>

See accompanying notes to financial statements

STEP-UP, INC

Statement of Functional Expenses Year Ended December 31, 2021

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

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 expense	\$ 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

Statements of Cash Flows Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 52,527	\$ (109,708)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	73,759	127,858
PPP loan forgiveness	-	(26,700)
Changes in:		
Accounts receivable	(1,189)	(93,012)
Other assets	(8,092)	(19,905)
Accrued payroll	7,917	(27,927)
Accrued vacation	(14,432)	15,541
Deferred revenue	(18,750)	-
Refundable advance	(51,358)	36,358
Straight line lease liability	(2,917)	19,467
Accounts payable	3,603	23,782
	<u>41,068</u>	<u>(54,246)</u>
Net cash provided by (used in) operating activities		
	41,068	(54,246)
Cash flows from financing activities - PPP loan proceeds	<u>-</u>	<u>26,700</u>
Net change in cash	41,068	(27,546)
Cash - beginning of year	<u>620,731</u>	<u>648,277</u>
Cash - end of year	<u>\$ 661,799</u>	<u>\$ 620,731</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.

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

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

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

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

Basis of Accounting

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.

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.

STEP-UP, INC

Notes to Financial Statements (Continued)

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

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, 2021 and 2020 consists of leasehold improvements of \$0 and \$177,449, respectively and furniture and equipment of \$130,085. Accumulated depreciation was \$85,839 and \$189,529 at December 31, 2021 and 2020, 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 \$54,573 and \$49,995 at December 31, 2021 and 2020, 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, 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.

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.

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 June 7, 2022, 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>2021</u>	<u>2020</u>
Cash	\$ 661,799	\$ 620,731
Grants receivable	<u>487,673</u>	<u>486,484</u>
Net financial assets available	1,149,472	1,107,215
Less net assets with donor restrictions	<u>(54,573)</u>	<u>(49,995)</u>
Net financial assets available	<u>\$ 1,094,899</u>	<u>\$ 1,057,220</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. In accordance with GAAP, lease expense is recorded on a straight-line basis over the lease term. Lease expense for 2021 and 2020 was \$92,037 and \$53,961 respectively.

The following is a schedule of future minimum lease payments:

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, 2021 and 2020, Step-Up had remaining available award balances on federal government conditional grants and contracts of \$1,129,173 and \$913,390 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 2021 and 2020 was \$0 and \$77,211, respectively. Deferred revenue under the contract is \$0 and \$18,750 at December 31, 2021 and 2020, respectively. The contract ended during 2021.

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, 2021

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Dept. of Health & Human Services:			
Passed through Indiana State Department of Health			
HIV Care Formula Grants	93.917	2021	\$ 533,131
HIV Care Formula Grants	94.917	2022	133,528
HIV Care Formula Grants	93.917	Assist	7,500
HIV Care Formula Grants	93.917	SOS	<u>7,411</u>
Total CFDA # 93.917			681,570
HIV Prevention Activities Health Department Based	93.940	2021	40,000
HIV Prevention Activities Health Department Based	93.940	2021	65,901
HIV Prevention Activities Health Department Based	93.940	CPG	174,262
HIV Prevention Activities Health Department Based	93.940	2022	<u>61,163</u>
Total CFDA # 93.940			341,326
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	Unknown	34,696
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	Unknown	<u>4,124</u>
Total Indiana State Department of Health			<u>1,061,716</u>
Passed through Marion County Public Health Department			
HIV Emergency Relief Project Grants	93.914	2020	171,430
HIV Emergency Relief Project Grants	93.914	2021	<u>444,438</u>
Total CFDA # 93.914			615,868
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00112	<u>97,312</u>
Total Marion County Public Department of Health			<u>713,180</u>
Passed through from Northwestern University			
Mental Health Research Grants	93.242	Unknown	<u>24,512</u>
Total U.S. Dept. of Health & Human Services			<u>1,799,408</u>
Total Federal Expenditures			<u>\$ 1,799,408</u>

STEP-UP, INC.

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2021

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, 2021. 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 statement of financial position as December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2022.

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

Report on 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 no 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)**

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.

June 7, 2022
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

Opinion of 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, 2021. Step-Up's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis of Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Report on Internal Control Over Compliance

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

**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 (Continued)

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

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

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

Barnes, Dennig & Co., Ltd.

June 7, 2022
Indianapolis, Indiana

STEP-UP, INC.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

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? _____ Yes X 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? _____ Yes X 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
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

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, 2021**

Section II - Financial Statement Findings

No matters are reportable.

STEP-UP, INC.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021**

Reference Number	Summary of Finding	Status
2020-01	Lack of segregation of duties in cash receipts, disbursements and payroll processes	Resolved
2020-02	Controls surrounding payroll charged to grants	Resolved