

Step Forward

Cleveland, Ohio

Financial Statements
and Supplementary Information

Year Ended January 31, 2024



WIPFLI

Step Forward

Year Ended January 31, 2024

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Independent Auditor's Report

Board of Directors
Step Forward
Cleveland, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Step Forward, a nonprofit organization, which comprise the statement of financial position as of January 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Step Forward as of January 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit 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 Forward and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Forward's ability to continue as a going concern for one year after the date 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Forward'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 Forward's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our 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 and list of programs, which is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the schedule of program activity are presented for purposes of additional analysis and are 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 October 29, 2024, on our consideration of Step Forward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Step Forward's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Step Forward's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

Madison, Wisconsin
October 29, 2024

Step Forward
Statement of Financial Position
January 31, 2024

Assets	
Current assets:	
Cash	\$ 1,059,285
Grants receivable	4,587,034
Accounts receivable	36,582
Prepaid expenses	195,916
Total current assets	5,878,817
Other assets:	
Right-of-use assets - operating	14,293,064
Total other assets	14,293,064
Property and equipment, net	2,606,961
TOTAL ASSETS	\$ 22,778,842
Liabilities and Net Assets	
Current liabilities:	
Current portion of lease liability - operating	\$ 1,780,224
Accounts payable	975,245
Accrued payroll and related expenses	936,355
Accrued vacation	594,316
Contract liability	208,333
Refundable advance liability	1,439,923
Total current liabilities	5,934,396
Long-term liabilities:	
Lease liability - operating	12,667,200
Total long-term liabilities	12,667,200
Total liabilities	18,601,596
Net assets:	
Without donor restrictions	517,153
Without donor restrictions - Grant-funded property and equipment	2,545,952
Total net assets without donor restrictions	3,063,105
With donor restrictions	1,114,141
Total net assets	4,177,246
TOTAL LIABILITIES AND NET ASSETS	\$ 22,778,842

Step Forward
Statement of Activities
Year Ended January 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grant revenue	\$ 52,066,269	\$ 503,836	\$ 52,570,105
Donations	92,985	0	92,985
Contract revenue	520,041	0	520,041
Other income	61,579	0	61,579
In-kind contributions	7,114,628	0	7,114,628
Net assets released from restrictions	170,661	(170,661)	0
Total revenue	60,026,163	333,175	60,359,338
Expenses:			
Program expenses			
Child education	29,506,662	0	29,506,662
Community service programs	21,135,904	0	21,135,904
Energy assistance	4,851,298	0	4,851,298
Food programs	551,484	0	551,484
Other	120,895	0	120,895
Total program expenses	56,166,243	0	56,166,243
Supporting expenses			
Management and general	4,911,777	0	4,911,777
Fund-raising	34,900	0	34,900
Total supporting expenses	4,946,677	0	4,946,677
Total expenses	61,112,920	0	61,112,920
Change in net assets	(1,086,757)	333,175	(753,582)
Net assets - Beginning of the year	4,149,862	780,966	4,930,828
Net assets - End of the year	\$ 3,063,105	\$ 1,114,141	\$ 4,177,246

Step Forward

Statement of Functional Expenses

Year Ended January 31, 2024

	Program Activities	Management & General	Fund-raising	Total
Expenses:				
Salaries/wages	\$ 16,051,091	\$ 2,189,331	\$ 20,716	\$ 18,261,138
Fringe benefits	6,339,018	817,890	8,295	7,165,203
Contractual	4,718,624	696,008	23	5,414,655
Travel	416,210	90,860	0	507,070
Space costs	2,213,612	592,933	5,002	2,811,547
Supplies/food	1,374,195	115,908	6	1,490,109
Energy and other assistance payments	15,670,295	0	0	15,670,295
Other	1,719,443	408,847	858	2,129,148
Depreciation expense	549,127	0	0	549,127
In-kind expenses	7,114,628	0	0	7,114,628
Total expenses	\$ 56,166,243	\$ 4,911,777	\$ 34,900	\$ 61,112,920

Step Forward

Statement of Cash Flows

Year Ended January 31, 2024

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	(\$ 753,582)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	549,127
Amortization of right-of-use assets - operating	1,781,718
Changes in operating assets and liabilities:	
Grants receivable	1,931,106
Prepaid expenses	7,180
Accounts payable	(717,232)
Accrued payroll and related expenses	18,622
Accrued vacation	24,537
Contract liability	125,000
Refundable advance liability	(2,275,957)
Operating lease liabilities	(1,760,469)
Net cash from operating activities	(1,069,950)
Cash flows from investing activities:	
Purchase of property and equipment	(82,000)
Net cash from investing activities	(82,000)
Change in cash	(1,151,950)
Cash - Beginning of the year	2,211,235
Cash - End of the year	\$ 1,059,285
Supplemental schedule of noncash operating, investing, and financing activities:	
Obtain a right-of-use asset in exchange for a lease liability	\$ 372,507

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Step Forward was organized as a nonprofit corporation in 1964. Step Forward was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs. Step Forward is primarily supported through federal and state government grants. Approximately 47% and 28% of Step Forward's grant revenue is received from the Department of Health and Human Services' Head Start program and the Department of Treasury's Coronavirus Relief programs for the year ended January 31, 2024.

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable consist primarily of rebates and amounts billed to Cuyahoga County under contracts for childcare services. For accounts receivables, the estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivable aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. Step Forward uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. Step Forward considers these receivables to be collectible and, therefore, no allowance for credit losses have been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Step Forward capitalizes items with a useful life of more than one year and costs that meet the following thresholds:

Corporate funded/grant funded, other than State of Ohio awards	\$	5,000
State of Ohio grant-funded programs	\$	1,000

Property and equipment purchased with grant funds are owned by Step Forward while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with grant funds are normally earmarked for use in specific programs operated by Step Forward.

ASC 842 Lease Accounting

Step Forward is a lessee in multiple noncancelable operating leases. If the contract provides Step Forward the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be a lease. Operating lease assets and operating lease obligations are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The operating lease asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The operating lease obligation is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

Step Forward has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The operating lease asset is subsequently measured throughout the lease term at the amount of the remeasured operating lease obligations (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

For all underlying classes of assets, Step Forward has elected to not recognize operating lease asset and operating lease obligations for short term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that Step Forward is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short term leases with lease costs included in short term lease expense. Step Forward recognizes short term lease cost on a straight-line basis over the lease term.

Step Forward separates lease and non-lease components to determine the lease payment.

Classification of Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These assets also include property and equipment acquired with grant funds that remain in Step Forward's possession

Net assets with donor restrictions: Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Contributions

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions received are recognized as a refundable advance liability until the barrier(s) to entitlement are overcome, at which point they are recognized as revenue. Unconditional contributions are recognized as revenue when received.

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions are considered available for use without donor restrictions unless specifically restricted by the donor. Contributions are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received, less an allowance for promises to be uncollectible. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized.

Donations represent amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance. The contributions are recorded as revenues with donor restrictions due to the implied stipulation that the contributions be used in the program the beneficiary received assistance. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If the restriction is met on a contribution in the year the contribution is received, the contribution is reported as revenue without donor restrictions.

Grants and Contracts

Grants and contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

- Grant awards that are contributions – Unconditional grants are reported as fair value at the date the grant is received. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. Grants that qualify as conditional contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are included in refundable advances in the accompanying statement of financial position.
- Grant awards that are exchange transactions – Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the terms of the award. Revenue is recognized when control of the promised goods or services are transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Revenue from Contracts with Customers

Step Forward recognized revenue from exchange transactions from contracts with customers for contract services using a performance obligation approach to revenue recognition.

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contract revenue – Step Forward provides extended day care services to Head Start children and receives fees from Cuyahoga County. The funds are used to supplement the Head Start program, as the beneficiaries of the funds are eligible for Head Start services. In addition, Step Forward has contracts to provide education to utility customers on the benefits of selecting a competitive retail electric service provider. The contracts contain only one performance obligation which is to provide childcare or education services during the agreed upon contract period. Revenue is recognized over time as the customers are simultaneously receiving and consuming the benefits of the service. Step Forward feels the output method is the most faithful depiction of the transfer of goods or service, using time elapsed. The total amount recorded for contract revenue was \$520,041 during the year ended January 31, 2024.

The receivables at the beginning and end of the year from contracts with customers totaled \$0. A contract liability has been recorded on the statement of financial position for monies received but services had yet to be provided for \$208,333 and \$83,333 at January 31, 2024 and February 1, 2023, respectively.

In-Kind Contributions

Step Forward records in-kind contributions for space, donated supplies, and professional services if they create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically be purchased if not provided by donation. The in-kind reported is primarily for donated use of facilities. The valuation is based on certified appraisals of the space. In addition, Step Forward received contributions of nonprofessional volunteers during the year with a value of \$132,134 for its Head Start program which are not reported.

Indirect Cost Rate

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all the Step Forward's programs that cannot be readily identified with a final cost objective. A provisional indirect cost rate has been approved by the U.S. Department of Health and Human Services (DHHS). Step Forward's provisional indirect cost rate is based upon the previous year actual rate. Step Forward adjusts the provisional rate based upon actual experience. This adjusted rate is subject to approval by DHHS at which time the indirect cost rate becomes final.

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Tax Status

Step Forward is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Ohio franchise or income tax.

Step Forward is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. Step Forward has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Functional Allocation of Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Space and related costs are allocated based on square footage.

Adoption of Accounting Pronouncement

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. This standard significantly changes how financial assets measured at amortized cost are presented. Such assets, which include most loans, are presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. The standard also changes the accounting for credit losses related to securities available for sale and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination.

Step Forward adopted ASU No. 2016-13 on February 1, 2023. The net impact to net assets would have been immaterial, thus no adjustment was made to net assets upon the adoption of the standard.

Note 2: Concentration of Credit Risk

Step Forward maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Step Forward has not experienced any losses with these accounts. Management believes Step Forward is not exposed to any significant credit risk on its cash. In addition, Step Forward maintains an Insured Cash Sweep (ICS) at its main financial institution. This ICS Sweep account places funds, over FDIC limits, and sweeps them into deposit accounts at receiving institutions, not to exceed \$250,000 at any one receiving institution. The receiving institutions are depository institutions at which deposit accounts are FDIC Insured. At January 31, 2024, the ICS account balance was \$1,449,235 which is included in cash.

Step Forward

Notes to Financial Statements

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within 12 months of the statement of financial position date, comprise of the following as of January 31, 2024 :

Cash	\$ 1,059,285
Accounts and grants receivable, to be collected in less than one	4,623,616
Subtotal financial assets	5,682,901
Less: Accounts payable	(975,245)
Less: Accrued payroll and related expenses	(936,355)
Less: Accrued vacation	(594,316)
Less: Contract liability	(208,333)
Less: Refundable advance liability	(1,439,923)
Less: Net assets with donor restrictions	(1,114,141)
Total Financial Assets	\$ 414,588

Step Forward does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash for approximately 1 month of operating expenses. Step Forward can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, Step Forward can request reimbursement from the funding source (see Note 10).

Note 4: Grants Receivable

Grants receivable of \$4,587,034 at January 31, 2024, consisted of \$3,562,994 from federal programs, \$445,591 from state programs and \$578,449 from local programs.

Note 5: Property and Equipment

A summary of property and equipment as of January 31, 2024, is as follows:

	Grant Funded	Corporate	Totals
Buildings	\$ 9,406,916	\$ 60,942	\$ 9,467,858
Building renovations	1,806,000	0	1,806,000
Vehicles/equipment	2,429,887	94,354	2,524,241
Total cost	13,642,803	155,296	13,798,099
Accumulated depreciation	(11,096,851)	(94,287)	(11,191,138)
Property and equipment, net	\$ 2,545,952	\$ 61,009	\$ 2,606,961

A Notice of Federal Interest has been filed for several of the buildings owned by Step Forward as the funding source has a reversionary interest in those buildings.

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Notes to Financial Statements

Note 6: Refundable Advance Liability

Amounts received on cost reimbursement contracts in excess of expenses are reflected as refundable advance liability. Refundable advances at January 31, 2024, consisted of the following:

Program Title	Funding source/ Pass-through Entity	Program Period	2024
Ohio Head Start Program IRN-77909-03/04	Ohio Dept. of Education	Ended in a prior period	\$ 144,270
COVID-19 American Rescue Plan Act 2021 - Home Relief CARES #ARPAHRG	Ohio Development Services Agency	08/01/22-12/31/24	147,096
COVID-19 Home Relief Grant- CARES #CAA-HRG 2021-16	Ohio Development Services Agency	Ended in a prior period	36,516
COVID-19 Low-Income Household Water Assistance Program LIHWAP 2021-115	Ohio Development Services Agency	10/01/21-03/31/24	483,749
HEAP Energy Assistance Program 24-HA-115	Ohio Development Services Agency	09/01/23-08/31/24	242,292
HEAP Energy Assistance Program 24-HE-215	Ohio Development Services Agency	11/01/23-03/31/24	198,969
COVID-19 Pandemic Support Payment 3	Ohio Child Care Resource & Referral	Ended in a prior period	183,031
AT&T Connected Learning Grant	AT&T	On going	2,000
James J. Hamilton Foundation	James J. Hamilton Foundation	On going	2,000
Total			\$ 1,439,923

Note 7: Net Assets with Donor Restrictions

Net assets with donor restrictions represent balances that are available for use in the following activities:

Child education	\$ 3,442
Energy assistance	67,550
Foundation programs	4,008
Gardening program	1,200
Kindergarten readiness	1,020,657
Rapid relief	16,533
Other	751
Total	\$ 1,114,141

Net assets released from purpose restrictions were \$170,661 for the year ended January 31, 2024.

Step Forward

Notes to Financial Statements

Note 8: Line of Credit

Step Forward has \$2,000,000 line of credit with KeyBank with an interest rate equal to the Prime Rate and secured with a general business security agreement. As of January 31, 2024, Step Forward has not drawn on the line of credit. As of January 31, 2024, the Prime Rate was 8.50%.

Note 9: Retirement Plan

Step Forward has a defined contribution retirement plan authorized under Section 403(b) of the Internal Revenue Code. The plan is open to all employees who are employed by Step Forward. Step Forward's contributions vest 100% after two years of service. Step Forward's contributions for the year ended January 31, 2024, were \$1,233,370.

Note 10: Grant Award

At January 31, 2024, Step Forward had commitments under various grants of approximately \$12,400,000. The revenue relating to these grants is not recognized in the accompanying financial statements as the revenue recognition is conditional on the incurrence of expenditures or the performance of services in the next fiscal year.

Note 11: Leases

Step Forward leases space at various locations for programs and administrative offices for operations. The majority of leases entered into include one or more options to renew. The renewal terms can extend the lease term from one to five years. The exercise of lease renewal options is at Step Forward's sole discretion. Renewal option periods are included in the measurement of the right-of-use asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Step Forward's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Components of lease expense were as follows for the year ended January 31, 2024:

Lease Cost	
Operating lease cost	\$ 2,073,059
Short-Term lease costs	4,378
<hr/>	
Total	\$ 2,077,437
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Weighted average remaining lease term - Operating leases	13.44 years
Weighted average discount rate - Operating leases	2.04 %

Step Forward

Notes to Financial Statements

Note 11: Leases (Continued)

Maturities of lease liabilities are as follows as of January 31, 2024:

2025	\$ 2,030,896
2026	2,040,734
2027	1,915,071
2027	1,850,261
2028	685,920
Thereafter	8,161,421
Total lease payments	16,684,303
Less amount representing interest	(2,236,879)
Subtotal	14,447,424
Less current portion	(1,780,224)
Long-term portion	\$ 12,667,200

Note 12: In-Kind Contributions

Step Forward has utilized the following in-kind contributions for the Head Start program for the year ended January 31, 2024:

Space	\$ 4,792,127
Supplies	11,909
Professional services	2,310,592
Total	\$ 7,114,628

The fair value of the space in-kind was based on market rent studies that were performed based on comparable properties. Contributed supplies are valued at the estimated fair value on the basis of what would be received for selling similar products. Contributed professional services are valued and reported at the estimated fair value based on current rates. There were no donor-imposed restrictions with the contributed nonfinancial assets

Note 13: Contingencies

In the ordinary course of operations, Step Forward occasionally become involved in legal proceedings related to contracts, personnel, or other matters. While any proceedings or litigation has an element of uncertainty, management of Step Forward believes that the outcomes of any pending or threatened actions will not have a material adverse effect on the operations or financial condition of Step Forward.

Step Forward

Notes to Financial Statements

Note 14: Subsequent Events

In preparing these financial statements, Step Forward has evaluated events and transactions for potential recognition or disclosure through October 29, 2024, the date the financial statements were available to be issued.

Subsequent to January 31, 2024, and prior to October 29, 2024, Step Forward terminated a long term lease for Head Start space. The right-of-use assets and lease liability at termination was \$1,814,553.

Supplementary Information

Step Forward

Schedule A-1

Schedule of Program Activity

Year Ended January 31, 2024

FEDERAL PROGRAMS								
	Department of Agriculture			Department of Treasury		Department of Health and Human Services		
	10.558			21.019	21.023	93.499	93.568	
					COVID-19 American Rescue Plan Act 2021- Home Relief Grant-CARES	COVID-19 Low-income Household Water Assistance Program (LIHWAP)	HEAP Summer Crisis Program	
	Child Care Food Program	Child Care Food Program	10.558	COVID-19 Home Relief Grant-CARES	2021- Home Relief Grant-CARES	LIHWAP	23-HC-215	
	2022/2023	2023/2024	Subtotal	#CAA-HRG 2021-16	#ARPAHRG 2022-16	2021-115		
	(1)	(2)		(3)	(4)	(5)	(6)	
REVENUE								
Grant and Contract Revenue		#	#					
Prior year's refundable advance liability	\$ 3,715,880	\$ 0	\$ 0	\$ 0	\$ 485,304	\$ 413,952	\$ 0	
Current year awards	50,315,287	377,469	241,071	618,540	0	14,161,673	831,584	854,764
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	(21,139)	0	0	0	0	0	0	0
Refundable advance liability	(1,439,923)	0	0	(36,516)	(147,096)	(483,749)	0	0
Total grant revenue	52,570,105	377,469	241,071	618,540	(36,516)	14,499,881	761,787	854,764
Transfers	0	0	0	0	0	0	0	0
Donations	92,985	0	0	0	0	0	0	0
Contract revenue	520,041	0	0	0	0	0	0	0
Other income	61,579	0	0	0	0	0	0	0
In-kind contributions	7,114,628	0	0	0	0	0	0	0
Total Revenue	60,359,338	377,469	241,071	618,540	(36,516)	14,499,881	761,787	854,764
EXPENSES								
Salaries/wages	18,261,138	130,885	93,565	224,450	0	168,938	63,970	0
Fringe benefits	7,165,203	54,679	33,957	88,636	0	68,476	(21,990)	0
Contractual	5,414,655	0	0	0	0	733,704	(21,357)	0
Travel	507,070	0	0	0	0	345	0	0
Space costs	2,811,547	0	0	0	0	255,643	0	0
Supplies/food	1,490,109	154,341	87,721	242,062	0	35,654	0	0
Energy and other assistance payments	15,670,295	0	0	0	(36,516)	13,048,267	711,027	854,764
Indirect costs	0	37,484	25,760	63,244	0	47,958	8,480	0
Other	2,129,148	80	68	148	0	140,896	21,657	0
Depreciation expense	549,127	0	0	0	0	0	0	0
In-kind expenses	7,114,628	0	0	0	0	0	0	0
Total Expenses	61,112,920	377,469	241,071	618,540	(36,516)	14,499,881	761,787	854,764
Change in Net Assets	(753,582)	0	0	0	0	0	0	0
Net assets - Beginning of the Year	4,930,828	0	0	0	0	0	0	0
NET ASSETS - End of the Year	\$ 4,177,246	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Step Forward

Schedule A-2

Schedule of Program Activity

Year Ended January 31, 2024

	FEDERAL PROGRAMS							
	Department of Health and Human Services							
	93.568							
	HEAP Admin. Program 23-HA-115	HEAP Admin. Program 24-HA-115	HEAP Admin. Program 23-HE-215	HEAP Admin. Program 24-HE-215	Percentage of Income Payment Plan 22-PA-115	Percentage of Income Payment Plan 23-PA-115	Percentage of Income Payment Plan 24-PA-115	93.568 Subtotal
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 75,957	\$ 0	\$ 236,009	\$ 0	\$ 12,587	\$ 0	\$ 0	\$ 324,553
Current year awards	1,316,538	1,706,586	123,520	500,000	0	148,147	12,689	4,662,244
Current year awards	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	(12,587)	(8,552)	0	(21,139)
Refundable advance liability	0	(242,292)	0	(198,969)	0	0	0	(441,261)
Total grant revenue	1,392,495	1,464,294	359,529	301,031	0	139,595	12,689	4,524,397
Transfers	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0
Contract revenue	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	1,392,495	1,464,294	359,529	301,031	0	139,595	12,689	4,524,397
EXPENSES								
Salaries/wages	690,700	656,949	0	0	0	68,787	8,098	1,424,534
Fringe benefits	303,852	230,172	0	0	0	27,524	2,458	564,006
Contractual	17,065	248,647	0	0	0	23,829	0	289,541
Travel	10,779	4,669	0	0	0	0	0	15,448
Space costs	82,578	60,177	0	0	0	0	0	142,755
Supplies/food	11,371	7,582	0	0	0	0	0	18,953
Energy and other assistance payments	0	0	359,529	301,031	0	0	0	1,515,324
Indirect costs	200,899	179,198	0	0	0	19,455	2,133	401,685
Other	75,251	76,900	0	0	0	0	0	152,151
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	1,392,495	1,464,294	359,529	301,031	0	139,595	12,689	4,524,397
Change in Net Assets	0	0	0	0	0	0	0	0
Net assets - Beginning of the Year	0	0	0	0	0	0	0	0
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Step Forward

Schedule A-3

Schedule of Program Activity

Year Ended January 31, 2024

	FEDERAL PROGRAMS							
	Department of Health and Human Services							
	93.569				93.575		93.600	
	Community Services Block Grant (CSBG) #CSBG 2020- 2021-16 (14)	Community Services Block Grant (CSBG) #CSBG 2022- 2023-16 (15)	Community Services Block Grant (CSBG) #CSBG 2024- 2025-16 (16)	93.569 Subtotal	Step Up to Quality IX (17)	COVID-19 Pandemic Support Payment 3 (18)	93.575 Subtotal	Head Start 05CH010828-05 (19)
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 396	\$ 0	\$ 0	\$ 396	\$ 0	\$ 183,031	\$ 183,031	\$ 0
Current year awards	0	3,409,193	283,438	3,692,631	0	0	0	24,791,849
Funds reprogrammed	(3,683)	3,683	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0
Refundable advance liability	0	0	0	0	0	(183,031)	(183,031)	0
Total grant revenue	(3,287)	3,412,876	283,438	3,693,027	0	0	0	24,791,849
Transfers	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	82,000
Contract revenue	0	18,173	1,222	19,395	0	0	0	0
Other income	0	0	0	0	0	0	0	5,521
In-kind contributions	0	0	0	0	0	0	0	7,246,762
Total Revenue	(3,287)	3,431,049	284,660	3,712,422	0	0	0	32,126,132
EXPENSES								
Salaries/wages	0	1,342,859	131,541	1,474,400	0	0	0	10,043,296
Fringe benefits	0	548,073	39,926	587,999	0	0	0	3,985,458
Contractual	0	86,262	9,463	95,725	0	0	0	3,366,322
Travel	0	29,072	2,001	31,073	0	0	0	329,572
Space costs	0	394,200	46,545	440,745	0	0	0	1,547,463
Supplies/food	0	1,774	321	2,095	0	0	0	894,014
Energy and other assistance payments	(3,287)	426,522	1,298	424,533	0	0	0	9,092
Indirect costs	0	387,275	34,636	421,911	0	0	0	2,844,393
Other	0	215,012	18,929	233,941	0	0	0	1,859,760
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	7,246,762
Total Expenses	(3,287)	3,431,049	284,660	3,712,422	0	0	0	32,126,132
Change in Net Assets	0	0	0	0	0	0	0	0
Net assets - Beginning of the Year	0	0	0	0	3,442	0	3,442	0
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,442	\$ 0	\$ 3,442	\$ 0

Step Forward

Schedule A-4

Schedule of Program Activity

Year Ended January 31, 2024

	FEDERAL PROGRAMS			STATE AND LOCAL PROGRAMS				
	Department of Health and Human Services							
	93.600							
	COVID-19 Head Start CRRSA 05HE000176-01-C5	93.600 Subtotal	TOTAL FEDERAL PROGRAMS	Universal Pre- Kindergarten (UPK2.0 -4)	Universal Pre- Kindergarten (UPK3.0 -1)	Universal Pre- Kindergarten (UPK3.0 -2)	Universal Pre- Kindergarten (UPK3.0 -3)	Ohio Head Start Program IRN- 77909-03/04
	(20)			(21)	(22)	(23)	(24)	(25)
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 0	\$ 0	\$ 1,407,236	\$ 0	\$ 0	\$ 0	\$ 0	\$ 144,270
Current year awards	61,363	24,853,212	48,819,884	0	0	485,000	435,000	0
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	(21,139)	0	0	0	0	0
Refundable advance liability	0	0	(1,291,653)	0	0	0	0	(144,270)
Total grant revenue	61,363	24,853,212	48,914,328	0	0	485,000	435,000	0
Transfers	0	0	0	0	0	0	0	0
Donations	0	82,000	82,000	0	0	0	0	0
Contract revenue	0	0	19,395	0	0	0	0	0
Other income	0	5,521	5,521	0	0	0	0	0
In-kind contributions	0	7,246,762	7,246,762	0	0	0	0	0
Total Revenue	61,363	32,187,495	56,268,006	0	0	485,000	435,000	0
EXPENSES								
Salaries/wages	0	10,043,296	13,399,588	0	0	110,074	134,241	0
Fringe benefits	0	3,985,458	5,272,585	0	0	48,775	47,053	0
Contractual	0	3,366,322	4,463,935	0	0	0	0	0
Travel	0	329,572	376,438	0	0	1,070	22,690	0
Space costs	0	1,547,463	2,386,606	0	0	1,940	0	0
Supplies/food	61,363	955,377	1,254,141	0	4,301	23,780	3,121	0
Energy and other assistance payments	0	9,092	15,671,727	0	0	0	0	0
Indirect costs	0	2,844,393	3,787,671	0	0	32,087	36,621	0
Other	0	1,859,760	2,408,553	0	0	19,234	3,028	0
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	7,246,762	7,246,762	0	0	0	0	0
Total Expenses	61,363	32,187,495	56,268,006	0	4,301	236,960	246,754	0
Change in Net Assets	0	0	0	0	(4,301)	248,040	188,246	0
Net assets - Beginning of the Year	0	0	3,442	65,807	473,363	49,306	0	0
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 3,442	\$ 65,807	\$ 469,062	\$ 297,346	\$ 188,246	\$ 0

Step Forward

Schedule A-5

Schedule of Program Activity

Year Ended January 31, 2024

	STATE AND LOCAL PROGRAMS							
	COVID-19 Child Care Stabilization - Phase 3	First Energy Fuel Fund 10	First Energy Fuel Fund 11	First Energy Fuel Fund 12	Early Childhood Education (ECE) X	Early Childhood Education (ECE) XI	Update the Plate L. Stokes Grant	First Energy Service Grant 2022
	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 2,164,374	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Current year awards	25,988	0	0	69,500	147,044	328,871	0	0
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0
Refundable advance liability	0	0	0	0	0	0	0	0
Total grant revenue	2,190,362	0	0	69,500	147,044	328,871	0	0
Transfers	0	37	(37)	0	0	0	0	1,136
Donations	0	0	0	0	0	0	0	0
Contract revenue	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	2,190,362	37	(37)	69,500	147,044	328,871	0	1,136
EXPENSES								
Salaries/wages	1,164,935	0	0	0	75,221	201,914	0	0
Fringe benefits	437,639	0	0	0	33,627	71,689	0	0
Contractual	0	0	0	0	0	0	0	0
Travel	37	0	538	0	0	0	0	0
Space costs	125,582	0	35,357	1,950	0	0	0	0
Supplies/food	29,897	0	5,891	0	0	0	0	0
Energy and other assistance payments	0	0	0	0	0	0	0	0
Indirect costs	323,720	0	0	0	11,402	55,268	0	0
Other	108,552	37	114,099	0	26,794	0	0	1,136
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	2,190,362	37	155,885	1,950	147,044	328,871	0	1,136
Change in Net Assets	0	0	(155,922)	67,550	0	0	0	0
Net assets - Beginning of the Year	0	0	155,922	0	0	0	751	0
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 0	\$ 67,550	\$ 0	\$ 0	\$ 751	\$ 0

Step Forward

Schedule A-6

Schedule of Program Activity

Year Ended January 31, 2024

	STATE AND LOCAL PROGRAMS							
	First Energy Service Grant 2023 (34)	First Energy Service Grant 2024 (35)	Covid-19 Rapid Response (36)	Garden Grant (37)	United Way Services - Kindergarten Readiness (Education) 2020-21 (38)	Early Care and Education Rapid Relief Fund (39)	GSST-I Key Bank (40)	Cleveland Clinic Partnership (41)
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Current year awards	0	0	0	0	0	0	0	0
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0
Refundable advance liability	0	0	0	0	0	0	0	0
Total grant revenue	0	0	0	0	0	0	0	0
Transfers	93,912	22,357	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0
Contract revenue	458,333	41,667	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	552,245	64,024	0	0	0	0	0	0
EXPENSES								
Salaries/wages	123,514	13,097	0	0	0	0	17,272	0
Fringe benefits	99,090	9,791	0	0	0	0	0	0
Contractual	126,184	9,954	0	0	0	0	0	0
Travel	6,200	41	0	0	0	0	0	0
Space costs	42,320	4,924	0	0	0	0	0	0
Supplies/food	10,557	589	0	0	0	0	0	0
Energy and other assistance payments	0	2,290	0	0	0	0	0	0
Indirect costs	45,075	13,788	0	0	0	0	(6,630)	0
Other	99,305	9,550	0	0	0	0	0	(204)
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	552,245	64,024	0	0	0	0	10,642	(204)
Change in Net Assets	0	0	0	0	0	0	(10,642)	204
Net assets - Beginning of the Year	0	0	3,321	1,200	196	16,533	10,642	(204)
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 3,321	\$ 1,200	\$ 196	\$ 16,533	\$ 0	\$ 0

Step Forward

Schedule A-7

Schedule of Program Activity

Year Ended January 31, 2024

	STATE AND LOCAL PROGRAMS							OTHER
	Pre4 Cleveland (42)	2023 VITA Tax Preparation 23SG2572 (43)	2024 VITA Tax Preparation 23SG3111 (44)	Gund Foundation Grant (45)	AT&T Connected Learning Grant (46)	James J. Hamilton Fund (47)	Total State and Local Programs	Men's Elevation Conference (48)
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,308,644	\$ 0
Current year awards	0	0	0	0	2,000	2,000	1,495,403	0
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0
Refundable advance liability	0	0	0	0	(2,000)	(2,000)	(148,270)	0
Total grant revenue	0	0	0	0	0	0	3,655,777	0
Transfers	0	0	0	0	0	0	117,405	11,974
Donations	0	0	0	0	0	0	0	1,500
Contract revenue	0	0	0	0	0	0	500,000	0
Other income	0	33,414	2,591	12,000	0	0	48,005	5,000
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	0	33,414	2,591	12,000	0	0	4,321,187	18,474
EXPENSES								
Salaries/wages	0	17,915	912	0	0	0	1,859,095	0
Fringe benefits	0	8,886	277	0	0	0	756,827	0
Contractual	0	0	0	7,327	0	0	143,465	2,267
Travel	0	0	0	0	0	0	30,576	706
Space costs	0	0	0	0	0	0	212,073	0
Supplies/food	0	710	1,162	0	0	0	80,008	5,279
Energy and other assistance payments	0	454	0	0	0	0	2,744	0
Indirect costs	0	5,449	240	0	0	0	517,020	0
Other	0	0	0	4,673	0	0	386,204	10,222
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	0	33,414	2,591	12,000	0	0	3,988,012	18,474
Change in Net Assets	0	0	0	0	0	0	333,175	0
Net assets - Beginning of the Year	687	0	0	0	0	0	777,524	0
NET ASSETS - End of the Year	\$ 687	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,110,699	\$ 0

Step Forward

Schedule A-8

Schedule of Program Activity

Year Ended January 31, 2024

	OTHER					
	Grant-Funded Equipment Fund (49)	Direct Cost Pools (50)	Indirect Costs (51)	Eliminate Non- GAAP In Kind (52)	TOTAL PROGRAMS	Corporate Activity (53)
REVENUE						
Grant and Contract Revenue						
Prior year's refundable advance liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,715,880	\$ 0
Current year awards	0	0	0	0	50,315,287	0
Funds reprogrammed	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	(21,139)	0
Refundable advance liability	0	0	0	0	(1,439,923)	0
Total grant revenue	0	0	0	0	52,570,105	0
Transfers	0	0	382,541	0	511,920	(511,920)
Donations	0	0	0	0	83,500	9,485
Contract revenue	0	0	0	0	519,395	646
Other income	0	0	0	0	58,526	3,053
In-kind contributions	0	0	0	(132,134)	7,114,628	0
Total Revenue	0	0	382,541	(132,134)	60,858,074	(498,736)
EXPENSES						
Salaries/wages	0	793,708	2,189,331	0	18,241,722	19,416
Fringe benefits	0	317,901	817,890	0	7,165,203	0
Contractual	0	28,766	696,008	0	5,334,441	80,214
Travel	0	3,640	90,860	0	502,220	4,850
Space costs	(82,000)	(319,313)	592,933	0	2,790,299	21,248
Supplies/food	0	33,834	115,908	0	1,489,170	939
Energy and other assistance payments	0	0	0	0	15,674,471	(4,176)
Indirect costs	0	224,545	(4,529,236)	0	0	0
Other	0	(1,083,081)	408,847	0	2,130,745	(1,597)
Depreciation expense	549,127	0	0	0	549,127	0
In-kind expenses	0	0	0	(132,134)	7,114,628	0
Total Expenses	467,127	0	382,541	(132,134)	60,992,026	120,894
Change in Net Assets	(467,127)	0	0	0	(133,952)	(619,630)
Net assets - Beginning of the Year	3,013,079	0	0	0	3,794,045	1,136,783
NET ASSETS - End of the Year	\$ 2,545,952	\$ 0	\$ 0	\$ 0	\$ 3,660,093	\$ 517,153

Step Forward

Schedule B-1

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2024

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Program Year	Passed Through Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Passed through Ohio Department of Education					
(1) Child and Adult Care Food Program	10.558	IRN-077909	10/01/22-09/30/23	\$ 0	\$ 377,469
(2) Child and Adult Care Food Program	10.558	IRN-077909	10/01/23-09/30/24	0	241,071
Total Federal Expenditures AL 10.558				0	618,540
TOTAL U.S. DEPARTMENT OF AGRICULTURE PROGRAMS				0	618,540
U.S. DEPARTMENT OF TREASURY					
Passed through Ohio Development Services Agency					
(3) COVID-19 Home Relief Grant - CARES	21.019	#CAA-HRG 2021-16	03/13/20-09/30/22	0	(36,516)
(4) COVID-19 American Rescue Plan Act 2021 - Home Relief Grant - CARES	21.023	#ARPAHRG 2022-16	08/01/22-12/31/24	0	14,499,881
TOTAL U.S. DEPARTMENT OF TREASURY PROGRAMS				0	14,463,365
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Ohio Development Services Agency					
(5) COVID-19 Low-income Household Water Assistance Program (LIHWAP)	93.499	LIHWAP 2021-115	10/01/21-03/31/24	0	761,787
Passed through Ohio Development Services Agency					
(6) HEAP Summer Crisis Program	93.568	23-HC-215	07/01/23-09/30/23	0	854,764
(7) HEAP Administrative Program	93.568	23-HA-115	09/01/22-08/31/23	0	1,392,495
(8) HEAP Administrative Program	93.568	24-HA-115	09/01/23-08/31/24	0	1,464,294
(9) HEAP Energy Assistance Program	93.568	23-HE-215	11/01/22-03/31/23	0	359,529
(10) HEAP Energy Assistance Program	93.568	24-HE-215	11/01/23-03/31/24	0	301,031
(11) Percentage of Income Payment Plan Plus (PIPP)	93.568	22-PA-115	01/01/22-12/31/22	0	0
(12) Percentage of Income Payment Plan Plus (PIPP)	93.568	23-PA-115	01/01/23-12/31/23	0	139,595
(13) Percentage of Income Payment Plan Plus (PIPP)	93.568	24-PA-115	01/01/24-12/31/24	0	12,689
Total Federal Expenditures AL 93.568				0	4,524,397
Passed through Ohio Development Services Agency					
(14) Community Services Block Grant	93.569	CSBG 2020-2021-16	01/01/21-12/31/22	0	(3,287)
(15) Community Services Block Grant	93.569	CSBG 2022-2023-16	01/01/22-12/31/23	0	3,412,876
(16) Community Services Block Grant	93.569	CSBG 2024-2025-16	01/01/23-12/31/24	0	283,438
Total Federal Expenditures AL 93.569				0	3,693,027

Step Forward

Schedule B-2

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2024

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Program Year	Passed Through Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Passed through Ohio Child Care Resource and Referral Association (OCCRRA)					
CCDF Cluster					
(17) Step Up to Quality IX	93.575	N/A	Ended in Prior Year	0	0
(18) COVID-19 Pandemic Support Payment 3	93.575	N/A	Ended in Prior Year	0	0
Total Federal Expenditures AL 93.575 CCDF Cluster				0	0
Direct Funding					
Head Start Cluster					
(19) Head Start/Early Head Start Program	93.600	05CH010828-05	02/01/23-01/31/24	0	24,791,849
(20) COVID-19 Head Start CRSSA	93.600	05HE000176-01-C5	04/01/21-03/31/23	0	61,363
Total Federal Expenditures AL 93.600 Head Start Cluster				0	24,853,212
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				0	33,832,423
TOTAL FEDERAL EXPENDITURES				\$ 0	\$ 48,914,328

STATE AND LOCAL PROGRAMS

Passed through Ohio Department of Education

(21) Universal Pre-Kindergarten 2.0-4	N/A	N/A	08/01/20-07/31/21
(22) Universal Pre-Kindergarten 3.0-1	N/A	N/A	08/01/21-07/31/22
(23) Universal Pre-Kindergarten 3.0-2	N/A	N/A	08/01/22-07/31/23
(24) Universal Pre-Kindergarten 3.0-3	N/A	N/A	08/01/23-07/31/24
(25) Ohio Head Start Program	N/A	IRN-77909-03/04	Ended in Prior Year

Passed through Ohio Child Care Resource and Referral Association (OCCRRA)

(26) COVID-19 Child Care Stabilization PH 3	N/A	N/A	07/01/22-06/30/23
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Passed through First Energy Company

(27) Fuel Fund 10	N/A	N/A	01/01/22-12/31/22
(28) Fuel Fund 11	N/A	N/A	01/01/23-12/31/23
(29) Fuel Fund 12	N/A	N/A	01/01/24-12/31/24

Passed through Early Childhood

(30) Early Childhood Education X	N/A	N/A	07/01/22-06/30/23
(31) Early Childhood Education XI	N/A	N/A	07/01/23-06/30/24

Passed through George Gund Foundation

(32) Update the Plate - L. Stokes Grant	N/A	N/A	Ended in Prior Year
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Step Forward

Schedule B-3

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2024

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Program Year
STATE AND LOCAL PROGRAMS (Continued)			
Passed through First Energy Company			
(33) First Energy Service Grant - 2022	N/A	N/A	01/01/22-12/31/22
(34) First Energy Service Grant - 2023	N/A	N/A	01/01/23-12/31/23
(35) First Energy Service Grant - 2024	N/A	N/A	01/01/24-12/31/24
Passed through Cleveland Foundation			
(36) COVID-19 Rapid Response	N/A	N/A	Ongoing
Passed through Cuyahoga County Board of Health			
(37) Garden Grant	N/A	N/A	Ended in Prior Year
Passed through United Way of Greater Cleveland			
(38) United Way Services - Kindergarten Readiness (Education) - 2020-21	N/A	N/A	Ended in Prior Year
Passed through Starting Point			
(39) Early Care and Education Rapid Relief Fund	N/A	N/A	Ongoing
Passed through KeyCorp			
(40) KeyBank Foundation	N/A	N/A	Ongoing
Passed through Cleveland Clinic			
(41) Cleveland Clinic Partnership	N/A	N/A	Ongoing
Passed through Starting Point			
(42) PRE4 Clevelan	N/A	N/A	Ongoing
Passed through Enterprise Community Partners, Inc.			
(43) 2023 VITA Tax Preparation	N/A	23SG2572	01/01/23-06/30/23
(44) 2024 VITA Tax Preparation	N/A	23SG3111	11/01/23-04/30/24
Passed through Gund Foundation			
(45) Gund Foundation Grant	N/A	N/A	Ongoing
Passed through Digitunity Inc.			
(46) AT&T Connected Learning Grant	N/A	N/A	Ongoing
Passed through James J. Hamilton Foundation			
(47) James J. Hamilton Fund	N/A	N/A	Ongoing
OTHER PROGRAM ACTIVITY			
(48) Men's Elevation Conference	N/A	N/A	Ongoing
(49) Grant-Funded Equipment Fund	N/A	N/A	Ongoing
(50) Direct Cost Pool	N/A	N/A	Ongoing
(51) Indirect Costs	N/A	N/A	Ongoing
(52) Eliminate Non-GAAP In Kind	N/A	N/A	Ongoing
(53) Corporate Activity	N/A	N/A	Ongoing

Step Forward

Schedule B-4

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2024

Notes to the Schedule of Expenditures of Federal Awards and List of Programs

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and list of programs (the "Schedule") includes the federal award activity of Step Forward under programs of the federal government for the year ended January 31, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Step Forward, it is not intended to and does not present the financial position, changes in net assets or cash flows of Step Forward.

Note 2 - 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, wherein 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.

Note 3 - Indirect Cost

Step Forward has an approved Indirect Cost Rate and therefore has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Child Care Stabilization

This grant program is not subject to the annual single audit requirements, so it is not included in the Schedule of Expenditures of Federal Awards and List of Programs.

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*

Board of directors
Step Forward
Cleveland, Ohio

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 Forward (a nonprofit organization), which comprise the statement of financial position as of January 31, 2024 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 October 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Step Forward's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Step Forward's internal control. Accordingly, we do not express an opinion on the effectiveness of Step Forward'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 may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 Forward's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP
Madison, Wisconsin
October 29, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Step Forward
Cleveland, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Step Forward's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2024. Step Forward's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Step Forward complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended January 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Forward 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 Forward'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 Forward's federal programs.

Auditor's Responsibility 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 Forward'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 GAAS, *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 Forward's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Forward'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 Forward'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 Forward's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", and "l" being particularly prominent.

Wipfli LLP

Madison, Wisconsin
October 29, 2024

Step Forward

Schedule of Findings and Questioned Costs

Year Ended January 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

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 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
21.023	Emergency Rental Assistance
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$1,467,430

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Step Forward

Schedule of Findings and Questioned Costs

Year Ended January 31, 2024

Section II - Audit Findings in Relation to Financial Statements

None

Section III - Audit Findings and Questioned Costs in Relation to Federal Awards

None

Section IV – State Award Findings and Questioned Costs

None

Section V – Prior Year Findings

None