

Step Forward

Cleveland, Ohio

Financial Statements and
Supplementary Information

Year Ended January 31, 2023



Step Forward

Financial Statements and Supplementary Information
Year Ended January 31, 2023

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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, 2023, 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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 30, 2023, 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.

Wipfli LLP

Wipfli LLP

October 30, 2023
Madison, Wisconsin

Step Forward

Statement of Financial Position

January 31, 2023

<i>Assets</i>	
Current assets:	
Cash	\$ 2,211,235
Grants receivable	6,518,140
Accounts receivable	36,582
Prepaid expenses	203,096
Total current assets	8,969,053
Other assets:	
Right-of-use assets - operating	15,702,275
Total other assets	15,702,275
Property and equipment, net	3,074,088
TOTAL ASSETS	\$ 27,745,416
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of lease liability - operating	\$ 1,760,462
Accounts payable	1,692,477
Accrued payroll and related expenses	917,733
Accrued vacation	569,779
Contract liability	83,333
Refundable advance liability	3,715,880
Total current liabilities	8,739,664
Long-term liabilities:	
Lease liability - operating	14,074,924
Total long-term liabilities	14,074,924
Total liabilities	22,814,588
Net assets:	
Without donor restrictions	1,136,783
Without donor restrictions - Grant-funded property and equipment	3,013,079
Total net assets without donor restrictions	4,149,862
With donor restrictions	780,966
Total net assets	4,930,828
TOTAL LIABILITIES AND NET ASSETS	\$ 27,745,416

See accompanying notes to financial statements.

Step Forward

Statement of Activities

Year Ended January 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Grant revenue	\$ 68,337,357	\$ 631,546	\$ 68,968,903
Donations	4,869	0	4,869
Contract revenue	569,337	0	569,337
Other income	20,026	0	20,026
Amortized rent	136,033	0	136,033
In-kind contributions	7,029,281	0	7,029,281
Net assets released from restrictions	12,814	(12,814)	0
Total revenue	76,109,717	618,732	76,728,449
Expenses:			
Program expenses			
Child education	30,821,910	0	30,821,910
Community service programs	36,453,730	0	36,453,730
Energy assistance	3,940,909	0	3,940,909
Food programs	675,704	0	675,704
Other	250,411	0	250,411
Total program expenses	72,142,664	0	72,142,664
Supporting expenses			
Management and general	4,468,310	0	4,468,310
Fund-raising	34,057	0	34,057
Total supporting expenses	4,502,367	0	4,502,367
Total expenses	76,645,031	0	76,645,031
Change in net assets	(535,314)	618,732	83,418
Net assets - Beginning of the year	4,685,176	162,234	4,847,410
Net assets - End of the year	\$ 4,149,862	\$ 780,966	\$ 4,930,828

Step Forward

Statement of Functional Expenses Year Ended January 31, 2023

	Program Activities	Management & General	Fund-raising	Total
Expenses:				
Salaries/wages	\$ 15,349,490	\$ 1,846,107	\$ 20,490	\$ 17,216,087
Fringe benefits	6,019,621	743,114	8,227	6,770,962
Contractual	8,395,577	1,046,196	383	9,442,156
Travel	280,605	79,564	0	360,169
Space costs	664,163	217,556	4,642	886,361
Supplies/food	2,725,435	100,304	0	2,825,739
Energy and other assistance payments	29,058,367	0	0	29,058,367
Other	2,039,217	435,469	315	2,475,001
Depreciation expense	580,908	0	0	580,908
In-kind expenses	7,029,281	0	0	7,029,281
Total expenses	\$ 72,142,664	\$ 4,468,310	\$ 34,057	\$ 76,645,031

Step Forward

Statement of Cash Flows

Year Ended January 31, 2023

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 83,418
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	580,908
Amortized rent obligation	(136,033)
Amortization of right-of-use assets - operating	1,674,911
Changes in operating assets and liabilities:	
Grants receivable	(1,437,178)
Accounts receivable	(1,999)
Prepaid expenses	78,712
Accounts payable	(1,397,772)
Accrued payroll and related expenses	62,920
Accrued vacation	(32,964)
Refundable advance liability	(5,654,569)
Operating lease liabilities	(1,541,800)
Net cash from operating activities	(7,721,446)
Cash flows from investing activities:	
Purchase of property and equipment	(306,094)
Net cash from investing activities	(306,094)
Change in cash	(8,027,540)
Cash - Beginning of the year	10,238,775
Cash - End of the year	\$ 2,211,235
Supplemental schedule of noncash operating, investing, and financing activities:	
Obtain a right-of-use asset in exchange for a lease liability	\$ 3,096,350

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 formerly the Council for Economic Opportunities in Greater Cleveland. 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 39% and 41% 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, 2023.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Step Forward considers these receivables to be collectible and, therefore, no allowance for doubtful accounts has been recorded.

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

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

or contain 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.

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 and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Step Forward 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.

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Step Forward

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

- 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.

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. The Organization 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 \$569,337 during the year ended January 31, 2023.

The receivables at the beginning and end of the year from contracts with customers totaled \$0. A contract liability in the amount of \$83,333 has been recorded on the statement of financial position for monies received but services have yet to be provided.

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 \$67,567 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 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 Taxes

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 Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU 2016-16 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. Step Forward adopted this guidance for the year ended January 31, 2023, with modified retrospective application to February 1, 2022, through a cumulative effect adjustment. Step Forward has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, Step Forward accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, Step Forward did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, Step Forward recognized the operating lease assets and operating lease obligations of \$14,280,836 as of February 1, 2022.

This standard did not have a material impact on Step Forward's net assets or cash flows from operations and had an immaterial impact on Step Forward's operating results. The most significant impact was the recognition of the operating lease assets and operating lease obligations for operating leases.

Subsequent Events

In preparing these financial statements, Step Forward has evaluated events and transactions for potential recognition or disclosure through October 30, 2023, the date the financial statements were available to be issued.

Step Forward

Notes to Financial Statements

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. Management believes this financial institution has a strong credit rating and credit risk related to their deposits is minimal.

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, are comprised of the following as of January 31, 2023:

Cash	\$	2,211,235
Accounts and grants receivable, to be collected in less than one year		6,554,722
Subtotal financial assets		8,765,957
Less: Accounts payable	(1,692,476)
Less: Accrued payroll and related expenses	(917,733)
Less: Accrued vacation	(569,779)
Less: Contract liability	(83,333)
Less: Refundable advance liability	(3,715,880)
Less: Net assets with donor restriction included in cash	(780,966)
Total financial assets available	\$	1,005,790

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, an organization can request reimbursement from the funding source (see Note 10).

Note 4: Grants Receivable

Grants receivable of \$6,518,140 at January 31, 2023, consisted of \$4,730,868 from federal programs, \$1,110,611 from state programs and 676,661 from local programs.

Note 5: Property and Equipment

A summary of property and equipment as of January 31, 2023, 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	2,347,887	94,354	2,442,241
Total cost	13,560,803	155,296	13,716,099
Accumulated depreciation	(10,547,724)	(94,287)	(10,642,011)
Property and equipment, net	\$ 3,013,079	\$ 61,009	\$ 3,074,088

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.

Step Forward

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. Grants funds received in advance at January 31, 2023, consisted of the following:

Program Title	Funding Source/ Pass-Through Entity	Program Period	Program Amount
Ohio Head Start Program IRN-77909-03/04	Ohio Dept. of Education	Ended in a prior period	\$ 144,270
COVID19 American Rescue Plan Act 2021 - Home Relief CARES #ARPAHRG	Ohio Development Services Agency	08/01/22-09/30/25	485,304
HEAP Energy Assistance Program 23-HA-115	Ohio Development Services Agency	09/01/22-08/31/23	75,957
HEAP Energy Assistance Program 23-HE-215	Ohio Development Services Agency	11/01/22-03/31/23	236,009
HEAP Energy Assistance Program 22-PA-115	Ohio Development Services Agency	01/01/22-12/31/22	12,587
Low-income Household Water Assistance Program LIHWAP 2021-115	Ohio Development Services Agency	10/01/21-09/30/23	413,952
COVID-19 CSBG CARES Program CSBG-CARES 2020-16	Ohio Development Services Agency	03/27/20-09/30/22	396
COVID-19 Pandemic Support Payment 3	Ohio Child Care Resource & Referral	11/01/21-10/31/22	183,031
COVID19 Child Care Stabilization Phase 3	Ohio Child Care Resource & Referral	07/01/22-06/30/23	2,164,374
Total			\$ 3,715,880

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	155,922
Foundation programs	14,446
Gardening program	1,200
Kindergarten readiness	588,672
Rapid relief	16,533
Other	751
Total	\$ 780,966

Net assets released from purpose restrictions were \$12,814 for the year ended January 31, 2023.

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, 2023, Step Forward has not drawn on the line of credit. As of January 31, 2023, the Prime Rate was 7.50%.

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, 2023, were \$1,126,865.

Note 10: Grant Awards

At January 31, 2023, Step Forward had commitments under various grant awards of approximately \$12,800,000. 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, 2023:

Lease cost	
Operating lease cost	\$ 1,959,231
Short-term lease costs	61,653
	<hr/>
Total lease cost	\$ 2,020,884
	<hr/>
Weighted average remaining lease term - Operating leases	13.90 years
Weighted average discount rate - Operating leases	1.97%

Step Forward

Notes to Financial Statements

Note 11: Leases (Continued):

Maturities of lease liabilities are as follows as of January 31, 2023:

2024	\$ 2,028,700
2025	1,893,118
2026	1,878,611
2027	1,847,513
2028	1,850,262
Thereafter	8,847,388
Total lease payments	18,345,592
Less amount representing interest	(2,510,206)
Subtotal	15,835,386
Less current portion	(1,760,462)
Long-term portion	\$ 14,074,924

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, 2023:

Space	\$ 4,471,913
Supplies	16,173
Professional services	2,541,195
Total	\$ 7,029,281

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.

Supplementary Information

Step Forward

Schedule A-1

Schedule of Program Activity

Year Ended January 31, 2023

	FEDERAL PROGRAMS							
	Department of Agriculture			HUD	Dept. of Treasury			
	10.558			14.228	21.019			
	Total	Child Care Food Program 2022/2023 (1)	Child Care Food Program 2021/2022 (2)	10.558 Subtotal	COVID-19 Commnity Development Block Grant (CDBG-CV) #N-D-20-7AM-1 (3)	COVID-19 American Rescue Plan Act 2021- Home Relief Grant-CARES #ARPAHRG (4)	COVID-19 Home Relief Grant-CARES #CAA-HRG 2021-16 (5)	21.019 Subtotal
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 9,370,449	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,445,650	\$ 6,445,650
Current year awards	64,162,492	268,873	467,487	736,360	1,683,932	2,539,651	20,060,181	22,599,832
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	(848,158)	0	0	0	(18,949)	0	0	0
Refundable advance liability	(3,715,880)	0	0	0	0	(485,304)	0	(485,304)
Total grant revenue	68,968,903	268,873	467,487	736,360	1,664,983	2,054,347	26,505,831	28,560,178
Transfers	0	0	0	0	0	0	0	0
Donations	4,869	0	0	0	0	0	0	0
Contract revenue	569,337	0	0	0	0	0	0	0
Other income	20,026	0	0	0	0	0	0	0
Amortized rent	136,033	0	0	0	0	0	0	0
In-kind contributions	7,029,281	0	0	0	0	0	0	0
Total Revenue	76,728,449	268,873	467,487	736,360	1,664,983	2,054,347	26,505,831	28,560,178
EXPENSES								
Salaries/wages	17,216,088	74,566	129,558	204,124	5,442	44,428	80,643	125,071
Fringe benefits	6,770,962	29,297	50,238	79,535	2,150	17,263	31,350	48,613
Contractual	9,442,156	0	0	0	13,996	348,977	2,548,130	2,897,107
Travel	360,169	0	0	0	0	0	0	0
Space costs	886,361	0	0	0	0	6,211	11,305	17,516
Supplies/food	2,825,739	143,824	250,969	394,793	4,968	3,000	5,424	8,424
Energy and other assistance payments	29,058,367	0	0	0	1,636,211	1,602,118	23,685,185	25,287,303
Indirect costs	0	20,981	36,318	57,299	1,534	12,462	22,623	35,085
Other	2,475,000	205	404	609	682	19,888	121,171	141,059
Depreciation expense	580,908	0	0	0	0	0	0	0
In-kind expenses	7,029,281	0	0	0	0	0	0	0
Total Expenses	76,645,031	268,873	467,487	736,360	1,664,983	2,054,347	26,505,831	28,560,178
Change in Net Assets	83,418	0	0	0	0	0	0	0
Net assets - Beginning of the Year	4,847,410	0	0	0	0	0	0	0
NET ASSETS - End of the Year	\$ 4,930,828	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Step Forward

Schedule A-2

Schedule of Program Activity

Year Ended January 31, 2023

	FEDERAL PROGRAMS											
	Department of Health and Human Services											
	93.499				93.568							
	COVID-19 Low-income Household Water Assistance Program (LIHWAP)											
	HEAP		HEAP Admin.		HEAP Admin.		HEAP Admin.	HEAP Admin.	Percentage of	Percentage of		
	Summer		Program		Program		Program	Program	Income	Income		
	Crisis Program		22-HA-115		23-HA-115		22-HE-215	23-HE-215	Payment Plan	Payment Plan		
	LIHWAP		22-HC-215		23-HA-115		22-HE-215	23-HE-215	21-PA-115	22-PA-115		
	2021-115		22-HC-215		23-HA-115		22-HE-215	23-HE-215	21-PA-115	22-PA-115		
	(6)		(7)		(8)		(9)		(10)	(11)	(12)	(13)
REVENUE												
Grant and Contract Revenue												
Prior year's refundable advance liability	\$ 503,196	\$ 0	\$ 364,486	\$ 0	\$ 451,997	\$ 0	\$ 22,009	\$ 0	\$ 22,009	\$ 0	\$ 0	\$ 0
Current year awards	560,906	739,290	1,113,693	1,038,049	0	500,000	0	145,460	0	0	0	145,460
Funds reprogrammed	0	0	0	0	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	(284,463)	0	(79,872)	0	(22,009)	0	(22,009)	0	0	0
Refundable advance liability	(413,952)	0	0	(75,957)	0	(236,009)	0	(12,587)	0	0	0	(12,587)
Total grant revenue	650,150	739,290	1,193,716	962,092	372,125	263,991	0	132,873	0	0	0	132,873
Transfers	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0	0	0	0
Contract revenue	0	0	0	0	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue	650,150	739,290	1,193,716	962,092	372,125	263,991	0	132,873	0	0	0	132,873
EXPENSES												
Salaries/wages	164,863	0	585,095	457,203	0	0	0	70,146	0	0	0	70,146
Fringe benefits	119,183	0	180,011	177,696	0	0	0	25,035	0	0	0	25,035
Contractual	47,858	0	76,905	99,526	0	0	0	3,669	0	0	0	3,669
Travel	0	0	7,081	4,105	0	0	0	0	0	0	0	0
Space costs	4,864	0	39,803	9,062	0	0	0	0	0	0	0	0
Supplies/food	0	0	17,214	3,308	0	0	0	4,999	0	0	0	4,999
Energy and other assistance payments	237,483	739,290	0	0	372,125	263,991	0	0	0	0	0	0
Indirect costs	57,377	0	154,551	128,250	0	0	0	19,226	0	0	0	19,226
Other	18,522	0	133,056	82,942	0	0	0	9,798	0	0	0	9,798
Depreciation expense	0	0	0	0	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	650,150	739,290	1,193,716	962,092	372,125	263,991	0	132,873	0	0	0	132,873
Change in Net Assets	0	0	0	0	0	0	0	0	0	0	0	0
Net assets - Beginning of the Year	0	0	0	0	0	0	0	0	0	0	0	0
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See Independent Auditor's Report

Step Forward

Schedule A-3

Schedule of Program Activity

Year Ended January 31, 2023

FEDERAL PROGRAMS								
Department of Health and Human Services								
93.568			93.569			93.575		
Percentage of Income Payment Plan 23-PA-115 (14)	93.568 Subtotal	Community Services Block Grant (CSBG) #CSBG 2022- 2023-16 (15)	COVID-19 Community Services Block Grant - #CSBG CARES 2020-16 (16)	93.569 Subtotal	Step Up to Quality IX (17)	COVID-19 Pandemic Support Payment 3 (18)	93.575 Subtotal	
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 0	\$ 838,492	\$ 0	\$ 1,088,232	\$ 1,088,232	\$ 0	\$ 183,031	\$ 183,031
Current year awards	8,552	3,545,044	3,665,610	0	3,665,610	0	0	0
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	(386,344)	0	(442,865)	(442,865)	0	0	0
Refundable advance liability	0	(324,553)	0	(396)	(396)	0	(183,031)	(183,031)
Total grant revenue	8,552	3,672,639	3,665,610	644,971	4,310,581	0	0	0
Transfers	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0
Contract revenue	0	0	23,421	0	23,421	0	0	0
Other income	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	8,552	3,672,639	3,689,031	644,971	4,334,002	0	0	0
EXPENSES								
Salaries/wages	5,240	1,117,684	1,447,093	79,061	1,526,154	0	0	0
Fringe benefits	1,419	384,161	602,903	31,517	634,420	0	0	0
Contractual	0	180,100	194,569	333,254	527,823	0	0	0
Travel	0	11,186	22,277	137	22,414	0	0	0
Space costs	0	48,865	209,858	1,805	211,663	0	0	0
Supplies/food	0	25,521	38,254	10,712	48,966	12,109	0	12,109
Energy and other assistance payments	0	1,375,406	360,444	152,427	512,871	0	0	0
Indirect costs	1,345	303,372	412,060	22,337	434,397	0	0	0
Other	548	226,344	401,573	13,721	415,294	0	0	0
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	8,552	3,672,639	3,689,031	644,971	4,334,002	12,109	0	12,109
Change in Net Assets	0	0	0	0	0	(12,109)	0	(12,109)
Net assets - Beginning of the Year	0	0	0	0	0	15,551	0	15,551
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,442	\$ 0	\$ 3,442

Step Forward

Schedule A-4

Schedule of Program Activity

Year Ended January 31, 2023

	FEDERAL PROGRAMS					STATE AND LOCAL PROGRAMS		
	Department of Health and Human Services							
	93.600							
	Head Start	COVID-19	COVID-19	COVID-19	93.600	TOTAL	Universal Pre-	Universal Pre-
	05CH010828-03	05CH010828-03	Head Start	Head Start	Subtotal	FEDERAL	Kindergarten	Kindergarten
	(19)	(20)	CRRSA	ARP		PROGRAMS	(UPK2.0 -4)	(UPK3.0 -1)
			05HE000176-01-C5	05HE000176-01-C6			(23)	(24)
			(21)	(22)				
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,058,601	\$ 0	\$ 127,578
Current year awards	23,931,979	486,646	46,874	2,251,643	26,717,142	59,508,826	0	1,035,000
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	(848,158)	0	0
Refundable advance liability	0	0	0	0	0	(1,407,236)	0	0
Total grant revenue	23,931,979	486,646	46,874	2,251,643	26,717,142	66,312,033	0	1,162,578
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	23,421	0	0
Other income	5,628	0	0	0	5,628	5,628	0	0
Amortized rent	0	0	0	0	0	0	0	0
In-kind contributions	7,096,848	0	0	0	7,096,848	7,096,848	0	0
Total Revenue	31,034,455	486,646	46,874	2,251,643	33,819,618	73,437,930	0	1,162,578
EXPENSES								
Salaries/wages	9,353,790	0	0	1,350,682	10,704,472	13,847,810	0	129,039
Fringe benefits	3,638,397	0	0	531,916	4,170,313	5,438,375	0	53,233
Contractual	4,272,571	58,857	0	0	4,331,428	7,998,312	0	6,510
Travel	227,385	0	0	37	227,422	261,022	0	7,200
Space costs	412,750	427,789	46,874	0	887,413	1,170,321	0	28,063
Supplies/food	1,420,416	0	0	(11,277)	1,409,139	1,903,920	0	406,960
Energy and other assistance payments	3,953	0	0	0	3,953	29,053,227	0	0
Indirect costs	2,647,313	0	0	380,285	3,027,598	3,916,662	0	36,819
Other	1,961,032	0	0	0	1,961,032	2,763,542	0	21,391
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	7,096,848	0	0	0	7,096,848	7,096,848	0	0
Total Expenses	31,034,455	486,646	46,874	2,251,643	33,819,618	73,450,039	0	689,215
Change in Net Assets	0	0	0	0	0	(12,109)	0	473,363
Net assets - Beginning of the Year	0	0	0	0	0	15,551	65,807	0
NET ASSETS - End of the Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,442	\$ 65,807	\$ 473,363

Step Forward

Schedule A-5

Schedule of Program Activity

Year Ended January 31, 2023

STATE AND LOCAL PROGRAMS								
	Universal Pre- Kindergarten (UPK3.0 -2) (25)	Ohio Head Start Program IRN- 77909-03/04 (26)	COVID-19 Child Care Stabilization (27)	COVID-19 Child Care Stabilization - Phase 3 (28)	First Energy Fuel Fund 10 (29)	First Energy Fuel Fund 11 (30)	Early Childhood Education (ECE) X (31)	Early Childhood Education (ECE) IX (32)
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 0	\$ 144,270	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Current year awards	555,000	0	248,430	2,319,400	66,571	69,500	206,748	151,217
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	(144,270)	0	(2,164,374)	0	0	0	0
Total grant revenue	555,000	0	248,430	155,026	66,571	69,500	206,748	151,217
Transfers	0	0	0	0	(90,232)	90,232	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
Amortized rent	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	555,000	0	248,430	155,026	(23,661)	159,732	206,748	151,217
EXPENSES								
Salaries/wages	122,276	0	48,548	40,041	0	0	125,970	102,976
Fringe benefits	45,655	0	23,422	19,318	0	0	46,034	41,872
Contractual	0	0	85,617	0	16,353	0	0	0
Travel	0	0	0	0	0	0	0	0
Space costs	0	0	45,879	23,403	11,972	1,596	0	0
Supplies/food	303,841	0	30,426	26,311	3,790	7	0	0
Energy and other assistance payments	0	0	0	0	0	0	0	0
Indirect costs	33,922	0	14,538	11,990	0	0	34,744	6,369
Other	0	0	0	33,963	2,599	2,207	0	0
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	505,694	0	248,430	155,026	34,714	3,810	206,748	151,217
Change in Net Assets	49,306	0	0	0	(58,375)	155,922	0	0
Net assets - Beginning of the Year	0	0	0	0	58,375	0	0	0
NET ASSETS - End of the Year	\$ 49,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,922	\$ 0	\$ 0

See Independent Auditor's Report

Step Forward

Schedule A-6

Schedule of Program Activity

Year Ended January 31, 2023

STATE AND LOCAL PROGRAMS										
	Update the Plate L. Stokes Grant (33)	First Energy Service Grant 2022 (34)	First Energy Service Grant 2023 (35)	Covid-19 Rapid Response (36)	Digital Equity Fund (37)	Garden Grant (38)	United Way Services - Kindergarten Readiness (Education) 2020-21 (39)	Early Care and Education Rapid Relief Fund (40)		
REVENUE										
Grant and Contract Revenue										
Prior year's refundable advance liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Current year awards	0	0	0	0	0	0	0	0	0	0
Funds reprogrammed	0	0	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0	0	0
Refundable advance liability	0	0	0	0	0	0	0	0	0	0
Total grant revenue	0	0	0	0	0	0	0	0	0	0
Transfers	0	58,548	(12,233)	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0	0
Contract revenue	0	458,333	41,666	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0	0	0
Total Revenue	0	516,881	29,433	0	0	0	0	0	0	0
EXPENSES										
Salaries/wages	0	147,102	11,016	0	0	0	0	0	0	0
Fringe benefits	0	60,785	2,983	0	0	0	0	0	0	0
Contractual	0	35,352	999	0	0	0	0	0	0	0
Travel	0	175	470	0	0	0	0	0	0	0
Space costs	0	8,878	871	0	0	0	0	0	0	0
Supplies/food	0	4,527	238	0	0	0	0	0	0	0
Energy and other assistance payments	0	0	0	0	0	0	0	0	0	0
Indirect costs	0	42,555	2,828	0	0	0	0	0	0	0
Other	0	217,507	10,028	0	500	0	0	0	0	0
Depreciation expense	0	0	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0	0	0
Total Expenses	0	516,881	29,433	0	500	0	0	0	0	0
Change in Net Assets	0	0	0	0	(500)	0	0	0	0	0
Net assets - Beginning of the Year	751	0	0	3,321	500	1,200	196	16,533		
NET ASSETS - End of the Year	\$ 751	\$ 0	\$ 0	\$ 3,321	\$ 0	\$ 1,200	\$ 196	\$ 16,533		

Step Forward

Schedule A-7

Schedule of Program Activity

Year Ended January 31, 2023

	STATE AND LOCAL PROGRAMS					OTHER		
	GSST-I	Cleveland Clinic		2023 VITA	Total State and	Grant-Funded	Direct	Indirect Costs
	Key Bank	Partnership	Pre4 Cleveland	Tax Preparation	Local Programs	Equipment Fund	Cost Pools	
	(41)	(42)	(43)	23SG2572		(45)	(46)	(47)
REVENUE								
Grant and Contract Revenue								
Prior year's refundable advance liability	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 311,848	\$ 0	\$ 0	\$ 0
Current year awards	0	0	1,800	0	4,653,666	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	(2,308,644)	0	0	0
Total grant revenue	40,000	0	1,800	0	2,656,870	0	0	0
Transfers	0	0	0	0	46,315	0	0	153,685
Donations	0	0	0	0	0	0	0	0
Contract revenue	0	0	0	0	499,999	0	0	0
Other income	0	5,000	0	6,412	11,412	0	0	0
Amortized rent	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	40,000	5,000	1,800	6,412	3,214,596	0	0	153,685
EXPENSES								
Salaries/wages	22,728	0	0	4,198	753,894	0	727,843	1,846,107
Fringe benefits	0	0	0	1,137	294,439	0	294,894	743,114
Contractual	0	0	0	0	144,831	0	229,712	1,046,196
Travel	0	0	0	0	7,845	0	2,380	79,564
Space costs	0	0	0	0	120,662	(277,789)	(486,221)	217,556
Supplies/food	0	0	1,113	0	777,213	0	38,136	100,304
Energy and other assistance payments	0	4,965	0	0	4,965	0	0	0
Indirect costs	6,630	0	0	1,077	191,472	0	206,593	(4,314,625)
Other	0	239	0	0	288,434	(28,304)	(1,013,337)	435,469
Depreciation expense	0	0	0	0	0	580,908	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	29,358	5,204	1,113	6,412	2,583,755	274,815	0	153,685
Change in Net Assets	10,642	(204)	687	0	630,841	(274,815)	0	0
Net assets - Beginning of the Year	0	0	0	0	146,683	3,287,894	0	0
NET ASSETS - End of the Year	\$ 10,642	(\$ 204)	\$ 687	\$ 0	\$ 777,524	\$ 3,013,079	\$ 0	\$ 0

See Independent Auditor's Report

Step Forward

Schedule A-8

Schedule of Program Activity

Year Ended January 31, 2023

	OTHER		CORPORATE ACTIVITY		Total Corporate Activity Including Rent Holiday
	Eliminate Non-GAAP In Kind (48)	TOTAL PROGRAMS	Rent Holiday (49)	Corporate Activity (50)	
REVENUE					
Grant and Contract Revenue					
Prior year's refundable advance liability	\$ 0	\$ 9,370,449	\$ 0	\$ 0	\$ 0
Current year awards	0	64,162,492	0	0	0
Funds reprogrammed	0	0	0	0	0
Funds repaid/deobligated	0	(848,158)	0	0	0
Refundable advance liability	0	(3,715,880)	0	0	0
Total grant revenue	0	68,968,903	0	0	0
Transfers	0	200,000	0	(200,000)	(200,000)
Donations	0	0	0	4,869	4,869
Contract revenue	0	523,420	0	45,917	45,917
Other income	0	17,040	0	2,986	2,986
Amortized rent	0	0	136,033	0	136,033
In-kind contributions	(67,567)	7,029,281	0	0	0
Total Revenue	(67,567)	76,738,644	136,033	(146,228)	(10,195)
EXPENSES					
Salaries/wages	0	17,175,654	0	40,434	40,434
Fringe benefits	0	6,770,822	0	140	140
Contractual	0	9,419,051	0	23,105	23,105
Travel	0	350,811	0	9,358	9,358
Space costs	0	744,529	0	141,832	141,832
Supplies/food	0	2,819,573	0	6,166	6,166
Energy and other assistance payments	0	29,058,192	0	175	175
Indirect costs	0	102	0	(102)	(102)
Other	0	2,445,804	0	29,196	29,196
Depreciation expense	0	580,908	0	0	0
In-kind expenses	(67,567)	7,029,281	0	0	0
Total Expenses	(67,567)	76,394,727	0	250,304	250,304
Change in Net Assets	0	343,917	136,033	(396,532)	(260,499)
Net assets - Beginning of the Year	0	3,450,128	(136,033)	1,533,315	1,397,282
NET ASSETS - End of the Year	\$ 0	\$ 3,794,045	\$ 0	\$ 1,136,783	\$ 1,136,783

See Independent Auditor's Report

Step Forward

Schedule B-1

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2023

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	\$ 268,873
(2) Child and Adult Care Food Program	10.558	IRN-077909	10/01/21-09/30/22	0	467,487
Total Federal Expenditures AL 10.558				0	736,360
TOTAL U.S. DEPARTMENT OF AGRICULTURE PROGRAMS				0	736,360
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Ohio Development Services Agency					
(3) COVID-19 Community Development Block Grant (CDBG-CV) Program	14.228	#N-D-20-7AM-1	01/01/21-02/28/22	0	1,664,983
Total Federal Expenditures AL 14.228				0	1,664,983
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS				0	1,664,983
U.S. DEPARTMENT OF TREASURY					
Passed through Ohio Development Services					
(4) COVID-19 American Rescue Plan Act 2021 - Home Relief Grant - CARES	21.019	#ARPAHRG	08/01/22-09/30/25	0	2,054,347
(5) COVID-19 Home Relief Grant - CARES	21.019	#CAA-HRG 2021-16	03/13/20-09/30/22	0	26,505,831
Total Federal Expenditures AL 21.019				0	28,560,178
TOTAL U.S. DEPARTMENT OF TREASURY PROGRAMS				0	28,560,178
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Ohio Development Services Agency					
(6) COVID-19 Low-income Household Water Assistance Program (LIHWAP)	93.499	LIHWAP 2021-115	10/01/21-09/30/23	0	650,150
Passed through Ohio Development Services Agency					
(7) HEAP Summer Crisis Program	93.568	22-HC-215	07/01/22-09/30/22	0	739,290
(8) HEAP Administrative Program	93.568	22-HA-115	09/01/21-08/31/22	0	1,193,716
(9) HEAP Administrative Program	93.568	23-HA-115	09/01/22-08/31/23	0	962,092
(10) HEAP Energy Assistance Program	93.568	22-HE-215	11/01/21-03/31/22	0	372,125
(11) HEAP Energy Assistance Program	93.568	23-HE-215	11/01/22-03/31/23	0	263,991
(12) Percentage of Income Payment Plan Plus (PIPP)	93.568	21-PA-115	01/01/21-12/31/21	0	0
(13) Percentage of Income Payment Plan Plus (PIPP)	93.568	22-PA-115	01/01/22-12/31/22	0	132,873
(14) Percentage of Income Payment Plan Plus (PIPP)	93.568	23-PA-115	01/01/23-12/31/23	0	8,552
Total Federal Expenditures AL 93.568				0	3,672,639

Step Forward

Schedule B-2

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2023

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 Development Services Agency					
(15) Community Services Block Grant	93.569	CSBG 2202-2023-16	01/01/22-12/31/23	0	3,665,610
(16) COVID-19 Community Services Block Grant	93.569	#CSBG CARES 2020-16	03/27/20-09/30/22	0	644,971
Total Federal Expenditures AL 93.569				0	4,310,581
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	11/01/21-10/31/22	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	05CH010828-03	02/01/21-01/31/22	0	23,931,979
(20) COVID-19 Head Start/Early Head Start	93.600	05CH010828-03	02/01/21-01/31/22	0	486,646
(21) COVID-19 Head Start CRSSA	93.600	05HE000176-01-C5	04/01/21-03/31/23	0	46,874
(22) COVID-19 Head Start ARP	93.600	05HE000176-01-C6	04/01/21-03/31/23	0	2,251,643
Total Federal Expenditures AL 93.600 Head Start Cluster				0	26,717,142
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				0	35,350,512
TOTAL FEDERAL EXPENDITURES				\$ 0	\$ 66,312,033

STATE AND LOCAL PROGRAMS

Passed through Ohio Department of Education

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

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

(27) COVID-19 Child Care Stabilization	N/A	N/A	12/01/21-06/30/22		
(28) COVID-19 Child Care Stabilization PH 3	N/A	N/A	07/01/22-06/30/23		

Passed through First Energy Company

(29) Fuel Fund 10	N/A	N/A	01/01/21-12/31/21		
(30) Fuel Fund 11	N/A	N/A	01/01/22-12/31/22		

Passed through Early Childhood

(31) Early Childhood Education X	N/A	N/A	07/01/22-06/30/23		
(32) Early Childhood Education IX	N/A	N/A	07/01/21-06/30/22		

Passed through George Gund Foundation

(33) 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, 2023

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			
(34) First Energy Service Grant - 2022	N/A	N/A	01/01/22-12/31/22
(35) First Energy Service Grant - 2023	N/A	N/A	01/01/23-12/31/23
Passed through Cleveland Foundation			
(36) COVID-19 Rapid Response	N/A	N/A	Ongoing
(37) Digital Equity Fund	N/A	363022	11/20/20-10/31/21
Passed through Cuyahoga County Board of Health			
(38) Garden Grant	N/A	N/A	Ended in Prior Year
Passed through United Way of Greater Cleveland			
(39) United Way Services - Kindergarten Readiness (Education) - 2020-21	N/A	N/A	07/01/20-09/30/21
Passed through Starting Point			
(40) Early Care and Education Rapid Relief Fund	N/A	N/A	Ongoing
Passed through KeyCorp			
(41) KeyBank Foundation	N/A	N/A	Ongoing
Passed through Cleveland Clinic			
(42) Cleveland Clinic Partnership	N/A	N/A	Ongoing
Passed through Starting Point			
(43) PRE4CLE	N/A	N/A	Ongoing
Passed through Enterprise Community Partners, Inc.			
(44) 2023 VITA Tax Preparation	N/A	N/A	Ongoing
OTHER PROGRAM ACTIVITY			
(45) Grant-Funded Equipment Fund	N/A	N/A	Ongoing
(46) Direct Cost Pool	N/A	N/A	Ongoing
(47) Indirect Costs	N/A	N/A	Ongoing
(48) Eliminate Non-GAAP In Kind	N/A	N/A	Ongoing
(49) Rent Holiday	N/A	N/A	Ongoing
(50) 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, 2023

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, 2023. 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 Audit Standards*

Board of Directors
Step Forward
Cleveland, Ohio

We have audited, in accordance with the 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, 2023, 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 30, 2023.

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 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 the attention of those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Step 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.

Wipfli LLP

Wipfli LLP

October 30, 2023
Madison, Wisconsin

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 Step Forward's major federal programs for the year ended January 31, 2023. 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 of its major federal programs for the year ended January 31, 2023.

Basis for Opinion on Each Major Federal Program

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

Wipfli LLP

Wipfli LLP

October 30, 2023
Madison, Wisconsin

Step Forward

Schedule of Findings and Questioned Costs Year Ended January 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	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 the Uniform Guidance [2 CFR 200.516(a)]?	No

Identification of major federal programs:

<u>Name of Federal Major Program or Cluster</u>	<u>AL No.</u>
• U.S. Department of Housing and Urban Development Community Development Block Grant Coronavirus (CDBG-CV) Program	14.228
• U.S. Department of Treasury Coronavirus Relief Funds	21.019
• U.S. Department of Housing and Urban Development Low-income Home Energy Assistance Program (LIHEAP)	93.568
Community Services Block Grant (CSBG)	93.569

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,989,361
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Step Forward

Schedule of Findings and Questioned Costs
Year Ended January 31, 2023

Section IV - Summary of Prior Year Findings

None