

**STEP UP SUNCOAST, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2022**

**STEP UP SUNCOAST, INC.  
FINANCIAL STATEMENTS**

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**TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 18
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS	19 - 20
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS	21
OTHER AUDITOR'S REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	22 - 23
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	24 - 26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	27 - 28



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Step Up Suncoast, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Step Up Suncoast, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement 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 up Suncoast, Inc. (the Organization) as of December 31, 2022, 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 the Organization 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.

#### ***Change in Accounting Principle***

As described in Note A to the financial statements, in 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), as amended. Our opinion is not modified with respect to this matter.

#### ***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.

- 1 -

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 the Organization'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 the Organization'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 the Organization'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.

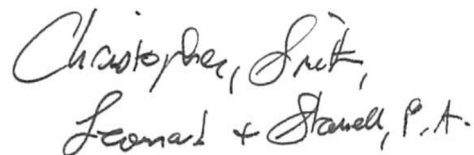
### **Supplementary Information**

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 other grants, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards and other grants is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2023, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.



**CHRISTOPHER, SMITH,  
LEONARD & STANELL, P.A.**

June 13, 2023  
Bradenton, Florida

**STEP UP SUNCOAST, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

<u>ASSETS</u>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 426,574
Grants receivable	1,532,760
Other receivables	21,579
Promises to give – current portion	11,050
Prepaid expenses	148,293
Right-of-Use Asset – current	368,148
Total current assets	2,508,404
<b>PROMISES TO GIVE, NET – LONG-TERM PORTION</b>	9,447
<b>OTHER ASSETS</b>	
Right-of-Use Asset	1,460,096
<b>LAND, BUILDINGS, AND EQUIPMENT, NET</b>	1,551,796
<b>DEPOSITS</b>	56,715
<b>TOTAL ASSETS</b>	<b>\$ 5,586,458</b>
 <u>LIABILITIES AND NET ASSETS</u>  	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 220,805
Accrued payroll and taxes	672,886
Other liability	7,480
Current portion of note payable	63,650
Refundable advances	834,411
Short-Term Lease Liability	367,924
Total current liabilities	2,167,156
Long-Term Lease Liability	1,469,632
Note payable – long-term portion	229,809
<b>TOTAL LIABILITIES</b>	3,866,597
<b>NET ASSETS</b>	
Net assets without donor restrictions	1,644,896
Net assets with donor restrictions	74,965
Total net assets	1,719,861
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,586,458</b>

The accompanying notes are an integral part of these financial statements.

**STEP UP SUNCOAST, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**CHANGE IN NET ASSETS:**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE</b>			
Grants and contracts	\$ 18,256,872	\$ 6,000	\$ 18,262,872
In-kind contributions	981,347	-	981,347
Program income	253,644	-	253,644
Donations and gifts	19,927	5,000	24,927
Miscellaneous income	49,363	1,050	50,413
Net assets released from restrictions	30,365	(30,365)	-
<b>TOTAL REVENUE</b>	<b>19,591,518</b>	<b>(18,315)</b>	<b>19,573,203</b>
<b>EXPENSES AND LOSSES</b>			
<b>PROGRAM SERVICES</b>			
Early childhood education	8,895,481	-	8,895,481
Training and family support	2,727,059	-	2,727,059
Client assistance	3,812,063	-	3,812,063
Food services	383,840	-	383,840
Housing assistance	248,183	-	248,183
Volunteer services	41,073	-	41,073
Donated space, supplies and other	940,274	-	940,274
Total program services	17,047,973	-	17,047,973
<b>SUPPORTING SERVICES</b>			
General and administrative	1,974,753	-	1,974,753
Fundraising	39,056	-	39,056
Depreciation	234,404	-	234,404
Total supporting services	2,248,213	-	2,248,213
<b>TOTAL EXPENSES</b>	<b>19,296,186</b>	<b>-</b>	<b>19,296,186</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>295,332</b>	<b>(18,315)</b>	<b>277,017</b>
<b>NET ASSETS, Beginning of year</b>	<b>1,349,564</b>	<b>93,280</b>	<b>1,442,844</b>
<b>NET ASSETS, End of year</b>	<b>\$ 1,644,896</b>	<b>\$ 74,965</b>	<b>\$ 1,719,861</b>

The accompanying notes are an integral part of these financial statements.

STEP UP SUNCOAST, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL EXPENSES
	EARLY CHILDHOOD EDUCATION	TRAINING AND FAMILY SUPPORT	CLIENT ASSISTANCE	FOOD SERVICES	HOUSING ASSISTANCE	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	
Personnel	\$ 5,474,352	\$ 1,737,238	\$ 523,250	\$ 239,444	\$ 60,865	\$ 8,035,149	\$ 1,175,584	\$ 12,168	\$ 9,222,901
Taxes/fringe benefits	1,389,911	426,055	129,765	40,468	16,006	2,002,205	242,902	3,436	2,248,543
Transportation and travel	26,828	63,880	3,353	1,845	1,937	97,843	8,028	15	105,886
Supplies	10,726	6,074	5,528	-	214	22,542	15,542	29	38,113
Contractual	37,463	31,164	375	-	124,054	193,056	815	350	194,221
Professional	53,336	13,779	4,370	2,412	28,705	102,602	48,852	11,771	163,225
Occupancy	442,965	163,772	56,544	3,862	6,437	673,580	267,059	6,566	947,205
Insurance	138,575	15,233	3,783	7,948	3,559	169,098	35,594	202	204,894
Dues and subscriptions	15,534	9,621	1,961	60	57	27,233	12,653	385	40,271
Program supplies	550,128	63,775	13,226	149	2,011	629,289	10,387	330	640,006
Program services	500	-	-	300	-	800	-	-	800
Food/Non-food	224,907	-	-	73,847	-	298,754	-	-	298,754
Tuition, seminars, development	96,970	17,488	1,880	-	1,301	117,639	12,008	88	129,735
Assistance	-	98,283	3,011,732	-	-	3,110,015	-	-	3,110,015
Equipment and vehicle leases	9,207	10,986	3,865	8,058	245	32,361	9,754	-	42,115
Computer maintenance and support	85,110	35,833	13,725	156	1,842	136,666	45,324	1,836	183,826
Repair and maintenance	285,959	14,302	5,600	4,931	642	311,434	47,662	619	359,715
Taxes and licenses	369	68	-	118	-	555	31	-	586
Printing and postage	391	767	1,746	27	188	3,119	2,446	58	5,623
Fundraising	-	-	-	-	-	-	-	976	976
Other costs	52,250	18,741	31,360	215	120	102,686	40,112	227	143,025
	<b>\$ 8,895,481</b>	<b>\$ 2,727,059</b>	<b>\$ 3,812,063</b>	<b>\$ 383,840</b>	<b>\$ 248,183</b>	<b>\$ 16,066,626</b>	<b>\$ 1,974,753</b>	<b>\$ 39,056</b>	<b>\$ 18,080,435</b>
Volunteer services	15,620	-	25,453	-	-	41,073	-	-	41,073
Donated space, supplies, and other	940,274	-	-	-	-	940,274	-	-	940,274
Depreciation	-	-	-	-	-	-	234,404	-	234,404
	<b>955,894</b>	<b>-</b>	<b>25,453</b>	<b>-</b>	<b>-</b>	<b>981,347</b>	<b>234,404</b>	<b>-</b>	<b>1,215,751</b>
<b>ALLOCATION OF SUPPORTING SERVICES</b>	1,222,535	350,014	354,920	51,421	33,257	2,012,147	(2,017,381)	5,234	-
	<b>\$ 11,073,910</b>	<b>\$ 3,077,073</b>	<b>\$ 4,192,436</b>	<b>\$ 435,261</b>	<b>\$ 281,440</b>	<b>\$ 19,060,120</b>	<b>\$ 191,776</b>	<b>\$ 44,290</b>	<b>\$ 19,296,186</b>

The accompanying notes are an integral part of these financial statements.



**STEP UP SUNCOAST, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 277,017
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	234,404
Operating lease expense	9,312
(Increase) decrease in operating assets:	
Grants receivable	(131,004)
Other receivables	37
Promises to give	4,658
Prepaid expenses	(701)
Deposits	50
Increase (decrease) in operating liabilities:	
Accounts payable	79,468
Accrued payroll and taxes	(26,772)
Accrued expenses	(15,261)
Refundable advances	410,327
Net cash provided (used) by operating activities	841,535
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of land, buildings, and equipment	(269,228)
Net cash provided (used) by investing activities	(269,228)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net payments on line of credit	(125,000)
Principal payments on note payable	(60,103)
Net cash provided (used) by investing activities	(185,103)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 387,204
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 39,370
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <b>\$ 426,574</b>
 <b><u>SUPPLEMENTAL CASH FLOW INFORMATION:</u></b>	
Interest paid	\$ 31,511
 <b><u>SUPPLEMENTAL NON-CASH INFORMATION:</u></b>	
Non-cash operating activities – In-kind contributions and expenses	\$ 981,347

The accompanying notes are an integral part of these financial statements.

**STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Structure**

Step Up Suncoast, Inc. (the Organization) is a not-for-profit corporation incorporated under the laws of the State of Florida and organized exclusively for charitable purposes. Management consists of a Board of Directors who are elected by the membership of the corporation as prescribed in its bylaws. The Organization empowers individuals and families to achieve long-term economic stability through education, support services, and community partnerships utilizing a wide variety of services and programs to families in Manatee, Hardee, DeSoto, Sarasota and Charlotte Counties.

**Basis of Accounting**

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. The financial statements have been prepared on the accrual basis of accounting. Administrative costs are charged by the Organization to its programs for fiscal and administrative expenses incurred in performing its functions. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, as applicable.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Grants Receivable**

Grants receivable consist mainly of amounts due for reimbursement for services provided in accordance with federal and state grant programs. Grants receivables are stated at the amount management expects to collect on outstanding balances. Management deems substantially all of the grants receivable at December 31, 2022 to be fully collectible, and as a result, no allowance for doubtful accounts has been established.

STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Promises to Give**

Promises to give are recorded at net realizable value. Unconditional promises to give are recognized as donations and gifts in the period the promise is received. Conditional promises to give are recognized when the barrier is overcome or the conditions on which they depend are substantially met. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. At December 31, 2022, all promises to give are considered fully collectible, and as a result, no allowance for doubtful accounts has been established.

**Land, Buildings, and Equipment**

For financial reporting purposes, all expenditures for land, buildings, and equipment with an estimated useful life of longer than one year and in excess of \$5,000 are capitalized at cost, if purchased, and fair value at the date of donation, if donated. Federal funding agencies providing funds for purchased assets may maintain an interest in the assets purchased with grant monies.

Depreciation is computed by the straight-line method, at rates based on the following estimated useful lives:

Furniture and fixtures	3–10 years
Equipment, vehicles and software	5 years
Leasehold improvements	20 years
Buildings and improvements	10–39 years
Modular buildings	10–20 years

**Refundable Advances**

The Organization receives advances on grant/contract awards to meet the cash flow needs of the Organization. As a result, these amounts are recorded as refundable advances in the statement of financial position until the amounts are actually spent as part of the agreement, at which time revenue is recognized. If amounts are not entirely spent by the end of the award period, a refund of the unused portion is issued.

STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Revenue Recognition**

The Organization receives substantially all of its revenue in the form of Federal, State and local grants and contracts. The Organization uses the guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made*, to determine if a transaction is either an exchange transaction or a non-exchange transaction.

Exchange transactions are reported as revenues from contracts with customers under the FASB's Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. The Organization records revenue from exchange transactions based on a five-step model for its customers with contracts: identify the contract, identify performance obligations, determine the transaction price, allocate the contract transaction price to the performance obligations, and recognize the revenue when control of goods or services is transferred to the customer.

Program income constitutes an exchange transaction for administering the Voluntary Prekindergarten (VPK) program at select locations in Manatee County for the benefit of Early Learning Coalitions. The administration of the VPK program constitutes a performance obligation that is satisfied over-time, as actual hours of student attendance transpire (an output method) with consideration received on a monthly basis. Changes in attendance or state appropriations to the VPK program may significantly affect the amount and timing of the exchanged consideration. As of December 31, 2022 and 2021, the Organization recorded receivables of \$109 and \$0, respectively, relating to its administration of the VPK program.

Non-exchange transactions include certain grants and contracts, in-kind contributions, and donations and gifts that are either acquired directly or through special events. The Organization recognizes grants and contracts revenue either based on the terms of the contract service period or to the extent that expenses have been incurred and the resulting revenue earned. Unconditional donations and gifts are recognized at the time when a donor makes a cash donation or an unconditional promise to give to the Organization. Conditional promises to give are recognized as revenue when the barrier is overcome or the conditions on which they depend are substantially met. Donor restricted donations and gifts whose restrictions are met in the same period are reported as changes in net assets without donor restrictions in these financial statements. Donor restricted contributions whose restrictions are not yet met are reported as changes in net assets with donor restrictions until the restriction is met.

STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Revenue Recognition – Continued**

When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

**In-Kind Contributions**

From time to time, the Organization receives in-kind gifts from donors. The contributed nonfinancial assets are valued at an estimated value which approximates the lower of cost or net realizable value.

In-Kind contributions are made up of non-cash donations, donated labor and advantageous rates on rental facilities, which are used in the Organization's various programs to provide services. The non-cash donations are valued at their fair market value at the time of donation. Professional services are valued at hourly rates that would have been paid for comparable services. In-Kind contributions from advantageous rental rates are valued at the difference between the fair market value of the rental space and the amounts actually paid. In-Kind contributions are recorded as both support and an expense.

The Organization recognized the following contributed nonfinancial assets within revenue for the year ended December 31, 2022:

Rental Space	\$	885,011
Services		96,336
	\$	<u>981,347</u>

Numerous volunteers have donated time to the Organization's various programs. Certain amounts are not recognized in the accompanying statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied. While these amounts have not been reflected as a part of the in-kind contributions in the financial statements, management determined the fair value of those services to be \$22,928 for the year ended December 31, 2022.

**STEP UP SUNCOAST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in the statement of activities. The expenses allocated included depreciation, insurance, occupancy and repairs and maintenance, which are allocated on a square-footage basis, as well as salaries and related benefits, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. The Organization is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Organization has adopted guidance issued pursuant to Accounting Standards Codification (ASC) 740 on accounting for uncertain tax positions. Management believes the Organization has no material uncertain tax positions, including any potential loss of its tax exempt status.

The Organization has no ongoing federal, state or local tax audits; however, the Organization's tax returns for the three previous years remain open to examination.

**Estimates**

The preparation of financial statements in conformity 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.

**Adoption of New Accounting Standard**

Effective January 1, 2022, The Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), as amended, which in some instances requires lessees to recognize leases on their statement of financial position as lease liabilities with corresponding right-of-use assets. The lease liability is measured at the present value of unpaid lease payments based on the reasonably certain lease term and corresponding discount rate. The Organization recorded a right-of-use asset in the

STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Adoption of New Accounting Standard – Continued**

amount of \$2,056,666 and a lease liability in the amount of \$2,056,666 on the statement of financial position effective January 1, 2022, upon implementation.

Pursuant to Topic 842, the Organization has made an accounting policy election for leases with a term of twelve (12) months or less to not recognize right-of-use assets and lease liabilities. For those leases not recognized under Topic 842, rent expense is recognized on a straight-line basis. Rent expense during 2022 under these leases totaled \$123,795, which may not reflect future short-term lease commitments.

The Organization also elected practical expedients available under the transition provisions in Topic 842, which include a) not reassessing ASC 840 evaluations on whether expired or existing contracts contain leases, b) not reassessing lease classification previously assessed under ASC 840, and c) not reevaluating initial direct costs for existing leases under ASC 840. The adoption of the new standard did not have any effect on beginning net assets.

Additionally, effective January 1, 2022, the Organization adopted new accounting guidance by implementing the provisions of Financial Accounting Standards Board (FASB) ASU 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, which improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The adoption of this new standard did not have any impact on beginning net assets.

**Subsequent Events**

The Organization has evaluated subsequent events through June 13, 2023 which is the date the financial statements were available to be issued.

**NOTE B – PROMISES TO GIVE, NET**

Promises to give that are receivable in more than one year are discounted at 4.22%, based on U.S. Treasury Bill rates in the year the pledge was made. As of December 31, 2022, promises to give consisted of the following:

Receivable in less than one year	\$	11,050
Receivable in one to five years		<u>10,500</u>
		21,550
Less discounts to net present value		<u>(1,053)</u>
Net promises to give	\$	<u><u>20,497</u></u>

**STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C – LAND, BUILDINGS AND EQUIPMENT, NET**

The following is a summary of land, buildings, and equipment and accumulated depreciation as of December 31, 2022:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 122,851	\$ -	\$ 122,851
Land improvements	115,351	22,927	92,424
Buildings	1,359,970	762,264	597,706
Building improvements	455,053	162,031	293,022
Equipment	157,056	52,950	104,106
Furniture and fixtures	6,850	6,850	-
Leasehold improvements	683,177	421,083	262,094
Modular building	251,908	251,908	-
Playground equipment	282,884	242,485	40,399
Software	64,617	26,924	37,693
Vehicles	86,419	84,918	1,501
	<u>\$ 3,586,136</u>	<u>\$ 2,034,340</u>	<u>\$ 1,551,796</u>

Depreciation expense for 2022 was \$234,404.

**NOTE D – LINE OF CREDIT AGREEMENT**

The Organization has an open line of credit with Chase Bank not to exceed \$750,000 and is secured by all of the Organization’s real estate in the State of Florida. All unpaid principal and interest on the line of credit is due and payable on November 8, 2023. Interest is charged at the adjusted SOFR rate (4.30% at December 31, 2022) plus 4.164% per annum. At December 31, 2022, there was no outstanding balance on the line of credit.

**NOTE E – NOTE PAYABLE**

During 2017, the Organization entered into a \$600,000, ten-year fixed mortgage for the purchase of property with principal and interest payments to be paid monthly in the amount of \$6,420. The note matures on March 1, 2027 and interest is fixed at 5.109%. The note is secured by the related property with a net book value of \$376,808 at December 31, 2022. Future principal maturities of the note payable are as follows:



STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE E – NOTE PAYABLE – CONTINUED**

Year ending December 31,	Amount
2023	\$ 63,650
2024	66,978
2025	70,482
2026	74,169
2027	18,180
Total	293,459
Less current portion	63,650
Note payable, long-term portion	<b>\$ 229,809</b>

**NOTE F – LEASES**

The Organization leases three office spaces and other facilities under various non-cancellable operating leases. All of the office leases include renewal options ranging from one to three years which are reasonably certain to be exercised by the Organization. With these renewal options all three leases will expire in 2027. Monthly rental payments range from \$1,650 to \$29,434 over the remaining lease terms.

The Organization also leases copying and other equipment under various operating leases, which expire from 2023 to 2025. Monthly rental payments range from \$278 to \$346 over the remaining lease terms.

As described in Note A, these leases fall under Topic 842 effective January 1, 2022. Under Topic 842, the Organization reported operating lease right-of-use assets of \$1,828,244 and a lease liability of \$1,837,556 as of December 31, 2022. Total operating lease expenses were \$469,027 for the year ended December 31, 2022 and are recorded within program services and supporting services expenses within the statement of activities. Operating cash flows from these leases totaled \$457,762 for the year ended December 31, 2022. The discount rates are based on the Organization's incremental borrowing rate. The weighted-average remaining lease term in years is 4.41 years, while the weighted-average discount rate is 7.02%. Future minimum lease payments under the agreement are as follows:

2023	\$ 485,122
2024	482,522
2025	479,787
2026	485,279
2027	210,397
Total undiscounted cash flows	2,143,107
Less present value discount	(305,551)
Total lease liability	1,837,556
Less lease liability, current portion	(367,924)
Lease liability, net of current portion	<b>\$ 1,469,632</b>

**STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2022, net assets with donor restrictions are restricted for time restrictions in the form of promises to give totaling \$20,497 and \$54,468 in cash and cash equivalents for donor imposed specified purposes. Net assets released from restriction during the year ended December 31, 2022 were \$30,365.

**NOTE H – RETIREMENT PLAN**

The Organization maintains a defined contribution retirement plan. The plan is qualified under section 403(b) of the Internal Revenue Code. Employer contributions are elective and management establishes the amount to be funded annually. Contributions are made to the account of each individual employee, based on a percentage of their annual compensation level. An employee must have one year of service with the Organization before the employer contribution will be made on their behalf. Employees may also contribute to the Plan. The Organization contributed \$655,960 for the year ended December 31, 2022.

**NOTE I – RECONCILIATION OF EXPENSES ON THE STATEMENT OF ACTIVITIES TO COSTS REPORTED ON GRANT AND CONTRACT REPORTS**

Generally accepted accounting principles require the capitalization of equipment acquired during the year with depreciation expense recorded over its estimated useful life. Total program costs as reported on the grant and contract reports include the cost of equipment as an operating expense in the year of acquisition.

Total expenses on the reports are reconciled as follows:

Total expenses on the Statement of Activities	\$ 19,296,186
Plus: Capital expenditures for the year:	
Head Start	269,227
Less: Depreciation expense	(153,877)
Fundraising expense	(39,056)
Total program costs as reported on the grant and contracts reports	<u>\$ 19,372,480</u>

**STEP UP SUNCOAST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE J – RECONCILIATION OF HEAD START STATEMENT OF FUNCTIONAL EXPENSES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS**

Early Childhood Education expenses on Statement of Functional Expenses	\$ 11,073,910
In-kind expenses on the Statement of Functional Expenses	(955,894)
Non-federal reimbursements (net)	<u>(253,109)</u>
Head Start expenses on Schedule of Federal Awards	<u>\$ 9,864,907</u>

**NOTE K – HEAD START MATCH**

The Organization provided \$638,564 of actual cash match and \$978,822 of non-cash match for a total of \$1,617,386 that qualified as Non-Federal Match for the Head Start program. All in-kind match requirements were met.

**NOTE L – CONCENTRATION OF CREDIT RISK – CASH**

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times throughout the year, the Organization's cash balances may exceed insured limits. At December 31, 2022 the Organization had deposits of \$263,992 in excess of FDIC insurance. Management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE M – CONCENTRATIONS OF RISK – OTHER**

Revenue sources:

A significant amount of the Organization's revenues are in the form of grants from federal and state sources to serve specified geographical areas within the various grants. The ability to continue operations, if the grant programs were lost or canceled, is dependent upon the Organization's ability to generate other funding.

Labor:

Certain Head Start and Early Head Start program employees are covered under a collective bargaining agreement, which expired February 11, 2021, and was subsequently renewed to April 27, 2023.

**NOTE N – CONTINGENCIES**

From time to time, the Organization is involved in litigation and regular investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effects on the Organization's future financial position or results of operations. However, it is possible that an unfavorable outcome might occur and that outcome could impact the financial results of the Organization.

STEP UP SUNCOAST, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE O – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following table reflects the Organization’s financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Financial assets at December 31, 2022	\$	5,586,458
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions		74,965
Less assets that are not in spendable form:		
Prepaid expenses		148,293
Land, buildings, and equipment		1,551,796
Deposits		56,715
		<u>56,715</u>
	<u>\$</u>	<u>3,754,689</u>

The Organization receives contributions throughout the year that may be subject to donor restriction. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due within the next year. The Organization is able to request funds through a line of credit agreement in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

**SUPPLEMENTARY INFORMATION**

**STEP UP SUNCOAST, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM AWARD	GRANT FISCAL PERIOD	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES	GRANT REVENUE
<b>FEDERAL AGENCIES</b>							
<b>U.S. Department of Health and Human Services:</b>							
Head Start Cluster							
Head Start and Early Head Start	93.600	04CH011915-02-02	\$ 5,856,232	01/01/22-12/31/22	-	5,856,232	\$ 5,856,232
Head Start Early Head Start COVID C3	93.600	04HE000249-01-C3	\$ 1,468,618	04/01/21-03/31/23	-	774,308	774,308
Early Head Start (Expansion 1)	93.600	04HP000493-01-00	\$ 1,776,409	09/01/21-08/31/22	-	1,062,622	1,062,622
Early Head Start (Expansion 1)	93.600	04HP000493-02-00	\$ 1,826,022	09/01/22-08/31/23	-	644,934	644,934
Early Head Start (Expansion 2)	93.600	04HP000151-03-01	\$ 1,748,173	03/01/21-02/28/22	-	209,137	209,137
Early Head Start (Expansion 2)	93.600	04HP000151-04-02	\$ 1,797,119	03/01/22-02/28/23	-	1,317,674	1,317,674
Total Head Start Cluster					-	9,864,907	9,864,907
Pass-through programs from:							
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Low Income Household Water Assistance Program (LIHWAP Formula)							
	93.499	E2025	480,198	05/28/21-09/30/23	-	47,004	47,004
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Community Services Block Grant (CSBG)							
	93.569	E2025	1,596,858	04/01/21-09/30/23	-	730,761	730,761
	93.569	E2025	907,881	03/01/20-10/31/22	-	80,693	80,693
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Low Income Home Energy Assistance Program (LIHEAP Formula)							
	93.568	E2025	4,507,136	04/01/21-09/30/23	-	1,399,583	1,399,583
	93.568	E2025	1,376,520	03/11/21-09/30/23	-	1,053,917	1,053,917
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Low Income Home Energy Assistance (WAP-LIHEAP)							
	93.568	E2025	568,005	04/01/21-09/30/23	-	135,785	135,785
Florida Association of Healthy Start Coalitions							
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	1MIECHV-2122STEPUP	1,085,933	09/30/21-09/29/22	-	816,468	816,468
Maternal, Infant and Early Childhood Home Visiting Grant Program (ARP)	93.870	1MIECHV-2122STEPUP	2,231	01/01/22-03/31/22	-	2,231	2,231
Maternal, Infant and Early Childhood Home Visiting Grant Program (ARP)	93.870	1ARP-2122STEPUP	70,990	04/11/22-09/29/22	-	70,990	70,990
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	1MIECHV-2223STEPUP	1,085,933	09/30/22-09/29/23	-	250,178	250,178
Maternal, Infant and Early Childhood Home Visiting Grant Program (ARP)	93.870	1ARP-2223STEPUP	59,990	09/30/22-06/30/23	-	50,828	50,828
University of South Florida							
Home Instruction for Parents of Preschool Youngsters	93.558	5830-1614-01-A	227,500	07/01/21-06/30/22	-	150,011	150,011
Home Instruction for Parents of Preschool Youngsters	93.558	5830-1614-11-A	264,000	07/01/22-06/30/23	-	98,171	98,171
Ounce of Prevention Fund of Florida, Healthy Families Florida							
Promoting Safe and Stable Families	93.556	HF-20-22-16	155,861	07/01/21-06/30/22	-	68,605	68,605
Temporary Assistance for Needy Families Block Grant	93.558	HF-20-23-16	285,334	07/01/22 - 06/30/23	-	74,518	74,518
Promoting Safe and Stable Families	93.556	HF-20-22-16	155,861	07/01/22 - 06/30/23	-	125,595	125,595
Temporary Assistance for Needy Families Block Grant	93.558	HF-20-23-16	285,334	06/30/22-06/30/23	-	136,420	136,420
Total pass-through programs- U.S. Department of Health and Human Services					-	5,291,758	5,291,758
Total of U.S. Department of Health and Human Services					-	15,156,665	15,156,665
<b>U.S. Department of Agriculture:</b>							
Pass-through programs from:							
State of Florida, Department of Health, Child and Adult							
Child Care Food Program	10.558	S-732	453,948	10/01/21-09/30/22	-	301,747	301,747
Child Care Food Program	10.558	S-732	425,712	10/01/22-09/30/23	-	133,413	133,413
Total Child Care Food Program					-	435,160	435,160
Total U.S. Department of Agriculture					-	435,160	435,160

The independent auditor's report should be read in connection with this supplemental schedule.  
The accompanying notes are an integral part of this supplemental schedule.

STEP UP SUNCOAST, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS – CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM AWARD	GRANT FISCAL PERIOD	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES	GRANT REVENUE
<b>FEDERAL AGENCIES – CONTINUED</b>							
<b>U.S. Department of Treasury – Internal Revenue Service:</b>							
Volunteer Income Tax Assistance (VITA) Matching Program	21.009	22VITA0129	45,000	10/01/21–09/30/22	–	37,302	37,302
Volunteer Income Tax Assistance (VITA) Matching Program	21.009	23VITA0172	45,000	10/01/22–09/30/23	–	13,738	13,738
Total Volunteer Income Tax Assistance (VITA) Matching Program					–	51,040	51,040
Total U.S. Department of Treasury – Internal Revenue Service					–	51,040	51,040
<b>U.S. Department of Housing and Urban Development:</b>							
Housing Counseling Assistance Program	14.169	HC210421062	24,243	04/01/21–09/30/22	–	11,190	11,190
Total U.S. Department of Housing and Urban Development					–	11,190	11,190
<b>U.S. Department of Energy:</b>							
Pass-through programs from:							
State of Florida, Department of Economic Opportunity,							
Division of Housing and Community Development,							
Weatherization Assistance Program (WAP-DOE)							
Total U.S. Department of Energy	81.042	E2025	286,079	04/01/21–09/30/23	–	118,506	118,506
					–	118,506	118,506
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<b>\$ –</b>	<b>\$ 15,772,561</b>	<b>\$ 15,772,561</b>
<b>NON-FEDERAL OTHER GRANTS AND CONTRACTS – WITH AND WITHOUT DONOR RESTRICTIONS</b>							
Ounce of Prevention Fund of Florida, Healthy Families Florida							\$ 475,488
Manatee County Board of County Commissioners:							
SHIP (State of Florida Funds)							10,164
Manatee County Children’s Services:							
C.A.T.C.H. Program							108,938
Head Start							440,380
Healthy Families							211,057
HIPPY							155,960
Parents As Teachers							94,616
Whole Child							143,452
Community Foundation of Sarasota County:							
Season of Sharing Fund							766,740
George & Ethel Hoeffler Fund for Head Start Program							10,000
United Way:							
VITA							13,750
Head Start							25,000
Home Visiting Coalition							2,053
Manatee Community Foundation:							
Explorer’s Classroom for Head Start Program							10,000
Private Grants & Donations:							
Patterson Foundation – Remake Learning							5,500
Service Club of Manatee County – CATCH Grant							5,115
Enterprise Holdings – PAT Grant							6,000
Virtual Conference Support for HIPPY/PAT							848
Church Women United – Whole Child Manatee							250
Janice A. Bolt – Head Start							5,000
<b>TOTAL NON-FEDERAL OTHER GRANTS AND CONTRACTS – WITH AND WITHOUT DONOR RESTRICTIONS</b>							<b>2,490,311</b>
<b>TOTAL GRANTS AND CONTRACTS</b>							<b>\$ 18,262,872</b>

The independent auditor’s report should be read in connection with this supplemental schedule.  
The accompanying notes are an integral part of this supplemental schedule.

**STEP UP SUNCOAST, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS**

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**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and Other Grants (the Schedule) includes the Federal grant activity of Step Up Suncoast, Inc., (the Organization) under programs of the Federal government for the year ended December 31, 2022. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures are reported on the Schedule and reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has a negotiated indirect cost rate of 13.4% for all programs through December 31, 2025.



**OTHER AUDITOR'S REPORTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Directors of  
Step Up Suncoast, Inc.**

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 Up Suncoast, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Step Up Suncoast, Inc.'s (the Organization) internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

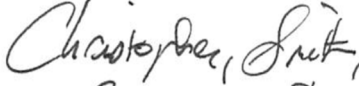
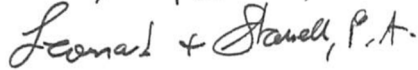
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
  
**CHRISTOPHER, SMITH,**  
**LEONARD & STANELL, P.A.**

June 13, 2023  
Bradenton, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of  
Step Up Suncoast, Inc.

Report on Compliance for Each Major Federal Program

***Opinion on Each Major Federal Program***

We have audited Step Up Suncoast, Inc.'s (the Organization) 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 the Organization's major federal programs for the year ended December 31, 2022. The Organization'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 Up Suncoast, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***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; 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 the Organization 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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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**

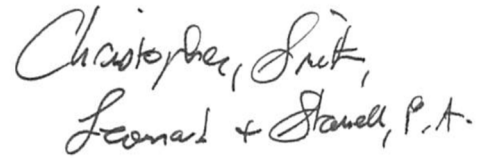
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

Handwritten signature in cursive script: Christopher, Smith, Leonard & Stanell, P.A.

**CHRISTOPHER, SMITH,  
LEONARD & STANELL, P.A.**

June 13, 2023  
Bradenton, Florida

STEP UP SUNCOAST, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of Auditor’s report issued: Unmodified Opinion

Internal Control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to basic 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 Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)  yes  no

<u>Identification of Major Federal Programs:</u>	<u>CFDA Number</u>
Low Income Home Energy Assistance	93.568
Headstart Cluster	93.600

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

Auditee qualified as low-risk auditee?  yes  no

**STEP UP SUNCOAST, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Section II – Financial Statement Findings**

No matters were reported.

**Prior Year Audit Findings**

None reported.

**Section III – Major Federal Award Programs – Findings and Questioned Costs**

None reported.

**Summary Schedule of Prior Year Audit Findings**

None reported.