

# **Step Up For Students, Inc. and Subsidiary**

Consolidated Financial Report  
June 30, 2018

## Contents

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Independent auditor's report on the financial statements	1-2
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Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-16

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Supplementary information	
Consolidating statement of financial position	17
Consolidating statement of activities	18
Schedule of expenditures of state financial assistance	19
Notes to schedule of expenditures of state financial assistance	20

---

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>	21-22
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Independent auditor's report on compliance for its major state financial assistance project and report on internal control over compliance required by State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	23-24
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Schedule of findings and questioned costs	25
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## Independent Auditor's Report

To the Board of Directors  
Step Up For Students, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Step Up For Students, Inc. and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Step Up For Students, Inc. and its subsidiary as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Step Up For Students, Inc. and its subsidiary's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Other Matters – Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of state financial assistance, as required by State of Florida Chapter 10.650, *Rules of the Auditor General*, is also presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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, 2018, on our consideration of Step Up For Students, Inc. and its subsidiary'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 Up For Students, Inc. and its subsidiary'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 Up For Students, Inc. and its subsidiary's internal control over financial reporting and compliance.

*RSM US LLP*

Orlando, Florida  
October 30, 2018

**Step Up For Students, Inc. and Subsidiary**

**Consolidated Statement of Financial Position**

**June 30, 2018**

**(With Summarized Comparative Information for June 30, 2017)**

	2018	2017
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 19,085,583	\$ 41,903,759
Pledges receivable, less allowance for uncollectible pledges of \$20,000,000 and \$18,000,000 in 2018 and 2017, respectively	502,820,023	436,647,533
Accounts and grants receivable, less allowance for uncollectible accounts of \$102,760 and \$246,429 in 2018 and 2017, respectively	5,137,782	1,592,791
Prepaid expenses and other assets	701,402	579,212
Funds held in trust for students	58,467,378	36,231,019
<b>Total current assets</b>	<b>586,212,168</b>	<b>516,954,314</b>
Restricted Certificate of Deposit	196,000	225,000
Property and Equipment, Net	2,986,165	1,412,992
<b>Total assets</b>	<b>\$ 589,394,333</b>	<b>\$ 518,592,306</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 289,742	\$ 140,765
Accrued expenses	1,946,954	1,574,162
Line of credit	14,986,632	-
Funds held in trust for students liability	58,467,378	36,231,019
<b>Total current liabilities</b>	<b>75,690,706</b>	<b>37,945,946</b>
Commitments (Note 6)		
Net Assets		
Unrestricted	8,115,532	5,110,194
Temporarily restricted	505,588,095	475,536,166
<b>Total net assets</b>	<b>513,703,627</b>	<b>480,646,360</b>
<b>Total liabilities and net assets</b>	<b>\$ 589,394,333</b>	<b>\$ 518,592,306</b>

See notes to consolidated financial statements.

**Step Up For Students, Inc. and Subsidiary**

**Consolidated Statement of Activities**

**Year Ended June 30, 2018**

**(With Summarized Comparative Information for June 30, 2017)**

	<b>2018</b>			Total 2017
	Unrestricted	Temporarily Restricted	Total	
<b>Revenues and Support</b>				
Contributions and grants:				
Florida Tax Credit Scholarship Program, net	\$ 18,342,797	\$ 660,768,271	\$ 679,111,068	\$ 521,382,016
Alabama Opportunity Scholarship Program	1,126,045	19,883,701	21,009,746	8,416,856
Grants and other contributions	818,075	2,276,740	3,094,815	1,523,636
Gardiner Scholarship Program	2,834,231	-	2,834,231	2,064,477
Other revenue	1,260,909	-	1,260,909	397,839
Scholarship service contract revenue	718,720	-	718,720	-
Net assets released from restrictions	652,876,783	(652,876,783)	-	-
<b>Total revenues and support</b>	<b>677,977,560</b>	<b>30,051,929</b>	<b>708,029,489</b>	<b>533,784,824</b>
<b>Expenses</b>				
Program services:				
Florida Tax Credit Scholarship Program	648,283,010	-	648,283,010	541,915,225
Alabama Opportunity Scholarship Program	9,926,404	-	9,926,404	12,492,497
Communications, Policy and Public Affairs	3,565,575	-	3,565,575	3,389,070
Gardiner Scholarship Program	3,418,161	-	3,418,161	2,688,107
School Development and Student Learning	1,893,947	-	1,893,947	1,581,306
Scholarship Service Contract	766,733	-	766,733	-
Advocacy and Civic Engagement	472,526	-	472,526	142,578
Hope Scholarship	151,511	-	151,511	-
Reading Scholarship	126,091	-	126,091	-
<b>Total program services</b>	<b>668,603,958</b>	<b>-</b>	<b>668,603,958</b>	<b>562,208,783</b>
Supporting services:				
General and administrative	3,918,934	-	3,918,934	3,694,165
Development and fundraising	2,449,330	-	2,449,330	2,139,326
<b>Total supporting services</b>	<b>6,368,264</b>	<b>-</b>	<b>6,368,264</b>	<b>5,833,491</b>
<b>Total expenses</b>	<b>674,972,222</b>	<b>-</b>	<b>674,972,222</b>	<b>568,042,274</b>
<b>Change in net assets</b>	<b>3,005,338</b>	<b>30,051,929</b>	<b>33,057,267</b>	<b>(34,257,450)</b>
<b>Net Assets</b>				
Beginning	5,110,194	475,536,166	480,646,360	514,903,810
Ending	<b>\$ 8,115,532</b>	<b>\$ 505,588,095</b>	<b>\$ 513,703,627</b>	<b>\$ 480,646,360</b>

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

(With Summarized Comparative Information for June 30, 2017)

	2018													Total 2017 Expenses
	Program Services									Supporting Services				
	Florida Tax Credit Scholarship Program	Alabama Opportunity Scholarship Program	Communications, Policy and Public Affairs	School Gardiner Scholarship Program	Development and Student Learning	Scholarship Service Contract	Advocacy and Civic Engagement	Hope Scholarship	Reading Scholarship	Total Program Services	General and Administrative	Development and Fundraising	Total Expenses	
Scholarships and grants	\$ 641,591,249	\$ 9,387,814	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,979,063	\$ -	\$ -	\$ 650,979,063	\$ 548,456,006
Salaries and wages	3,473,065	192,936	1,882,016	2,223,420	1,153,054	327,360	251,036	79,346	64,523	9,646,756	1,837,486	1,259,360	12,743,602	11,347,995
Payroll taxes and employee benefits	1,086,399	24,122	512,362	361,495	312,828	57,679	57,606	23,139	18,691	2,454,321	466,962	304,540	3,225,823	2,762,123
Contract services	296,959	106,315	376,049	88,401	107,735	292,360	17,417	12,339	10,904	1,308,479	397,109	141,946	1,847,534	754,247
Other costs	240,215	27,839	146,073	155,821	43,156	357	21,067	2,716	1,291	638,535	128,535	183,520	950,590	565,235
Rent	246,562	34,938	98,659	111,720	68,379	-	17,153	4,129	3,481	585,021	143,085	81,433	809,539	777,444
Recruiting and advertising	189,519	46,076	118,354	172,532	908	8,645	1,980	18,945	18,862	575,821	10,380	75,757	661,958	361,780
Travel, lodging and meals	38,580	66,815	123,760	17,290	79,214	27,156	65,434	3,005	1,651	422,905	100,816	92,634	616,355	602,975
Professional fees	8,806	-	42,406	-	1,671	20,028	409	219	184	73,723	367,318	66,362	507,403	264,734
Bank charges, fees and interest	308,006	-	183	-	127	-	31	8	6	308,361	122,775	152	431,288	240,209
Repairs and maintenance	120,387	809	51,308	69,068	29,690	-	7,618	2,169	1,828	282,877	83,224	42,706	408,807	222,263
Telephone	188,418	7,496	39,442	49,165	25,824	625	5,974	761	642	318,347	32,124	34,321	384,792	356,575
Depreciation	106,144	970	42,472	100,897	29,386	-	7,883	1,777	1,499	291,028	57,942	35,663	384,633	257,002
Printing and postage	16,870	10,004	72,123	7,656	12,036	70	9,298	516	470	129,043	96,787	83,056	308,886	224,101
Insurance	80,852	2,251	32,353	54,101	22,385	-	6,950	1,354	1,142	201,388	44,514	28,110	274,012	263,040
Temporary labor	124,645	-	-	-	-	32,050	-	-	-	156,695	10,715	-	167,410	303,242
Office expenses	39,613	18,019	28,015	6,595	7,554	403	2,670	1,088	917	104,874	19,162	19,770	143,806	203,811
Write-off of school receivables	126,721	-	-	-	-	-	-	-	-	126,721	-	-	126,721	70,171
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	9,321
<b>Total</b>	<b>\$ 648,283,010</b>	<b>\$ 9,926,404</b>	<b>\$ 3,565,575</b>	<b>\$ 3,418,161</b>	<b>\$ 1,893,947</b>	<b>\$ 766,733</b>	<b>\$ 472,526</b>	<b>\$ 151,511</b>	<b>\$ 126,091</b>	<b>\$ 668,603,958</b>	<b>\$ 3,918,934</b>	<b>\$ 2,449,330</b>	<b>\$ 674,972,222</b>	<b>\$ 568,042,274</b>

See notes to consolidated financial statements.

**Step Up For Students, Inc. and Subsidiary**

**Consolidated Statement of Cash Flows**

**Year Ended June 30, 2018**

**(With Summarized Comparative Information for June 30, 2017)**

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 33,057,267	\$ (34,257,450)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	384,633	257,002
Provision for uncollectible pledges	19,450,366	5,207,177
Write-off of school receivables	126,721	70,171
Loss on disposal of property and equipment	-	9,321
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(85,622,856)	22,643,803
Accounts and grants receivable	(3,671,712)	(682,530)
Prepaid expenses and other assets	(122,190)	(89,164)
Funds held in trust for students	(22,236,359)	(9,500,839)
Increase (decrease) in liabilities:		
Accounts payable	148,977	(286,969)
Accrued expenses	372,792	391,364
Funds held in trust for students liability	22,236,359	9,500,839
<b>Net cash used in operating activities</b>	<b>(35,876,002)</b>	<b>(6,737,275)</b>
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,957,806)	(1,115,779)
Decrease in restricted certificate of deposit	29,000	-
<b>Net cash used in investing activities</b>	<b>(1,928,806)</b>	<b>(1,115,779)</b>
Cash Flows From Financing Activities		
Borrowings on line of credit	20,000,000	-
Repayments on line of credit	(5,013,368)	-
<b>Net cash provided by financing activities</b>	<b>14,986,632</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(22,818,176)</b>	<b>(7,853,054)</b>
Cash and Cash Equivalents		
Beginning	41,903,759	49,756,813
Ending	<b>\$ 19,085,583</b>	<b>\$ 41,903,759</b>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<b>\$ 13,368</b>	<b>\$ -</b>

See notes to consolidated financial statements.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** The primary mission of Step Up For Students, Inc. and its subsidiary (collectively, the Organization) is to empower parents to pursue and engage in the most appropriate learning options for their children, with an emphasis on families who lack the financial resources to access these options. By pursuing this mission, the Organization helps public education fulfill the promise of equal opportunity.

Step Up For Students, Inc. (Step Up For Students) is a not-for-profit organization incorporated on February 18, 2000. Through the Florida Tax Credit Scholarship program, Step Up For Students served 106,548 and 101,869 students in 1,818 and 1,730 private schools across Florida during the 2017 – 2018 and 2016 – 2017 school years, respectively.

Additionally, Step Up For Students administers the Gardiner Scholarship Program. The Gardiner Scholarship Program was created to provide the option for parents to better meet the individual educational needs of an eligible child. The Gardiner Scholarship Program provides eligible students a scholarship that can be used to purchase approved services or products. During the years ended June 30, 2018 and 2017, Step Up For Students administered the program on behalf of the State of Florida for 9,601 and 7,593 eligible children, respectively.

The Alabama Opportunity Scholarship Fund, LLC (Alabama Opportunity Scholarship Fund) is a not-for-profit limited liability company established on October 4, 2013, whose sole member is Step Up For Students. The Alabama Opportunity Scholarship Fund was formed to help implement the Alabama Accountability Act of 2013. Through the Alabama Opportunity Scholarship Fund K-12 scholarship program, approximately 1,590 and 2,141 children received scholarships to attend private schools for the 2017 – 2018 and 2016 – 2017 school years, respectively.

The following is a summary of the programs operated by the Organization:

- **Florida Tax Credit Scholarship Program:** Step Up For Students, Inc. is approved under Florida Statute 1002.395 to serve as a Scholarship Funding Organization (SFO). Since July 1, 2011, Step Up For Students has been the predominate Florida SFO. As an SFO, Step Up For Students can solicit and receive corporate contributions that are entitled to a state tax credit against 100% of corporate income tax, insurance premium tax, and direct-pay sales tax liabilities, 90% of alcoholic beverage tax liabilities, and 50% of oil and gas severance tax liabilities. Those contributions, in turn, must be spent to provide scholarships to low income Florida school children in compliance with the Florida Tax Credit Scholarship Program. For the 2017 – 2018 school year and the 2016 – 2017 school year, qualified students received a maximum scholarship of \$6,920 and \$5,886 respectively, to attend a private school that have been approved by the State of Florida or \$750 for transportation to an out-of-district public school. Scholarships are expensed when a student attends a qualified school. Step Up For Students is allowed to use up to 3% of the contributions collected to administer the scholarship program.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- **Alabama Opportunity Scholarship Program:** The Alabama Opportunity Scholarship Fund was established to operate under standards prescribed in the Alabama Accountability Act of 2013 and is approved under the Alabama Department of Revenue to serve as a Scholarship Granting Organization (SGO). In accordance with the Alabama Accountability Act of 2013 and the Administrative Rulings by the Alabama Department of Revenue, the Alabama Opportunity Scholarship Fund must use at least 95% of revenue from credit eligible scholarship donations and all interest and investment income attributable to these scholarship funds for educational scholarships. Therefore, the Alabama Opportunity Scholarship Fund may use no more than 5% of the amount of its scholarship donations for purposes other than making scholarship grants. As an SGO, the Alabama Opportunity Scholarship Fund can solicit and receive corporate and individual donations that entitle the donors to certain tax credits administrated by the Alabama Department of Revenue.
- **School Development and Student Learning:** This program oversees the process development intended to assist schools and families in establishing and maintaining collaborative partnerships that ensure the academic, social and emotional success of every child; while at the same time, upholding the belief that the ultimate responsibility for the education of the child resides with the parent.
- **Gardiner Scholarship Program:** In June 2014, legislation creating scholarships for special needs children was signed into law in Florida. This scholarship is for Florida students in kindergarten through 12th grade with one of the following disabilities: Autism, Muscular Dystrophy, Cerebral palsy, Down syndrome, Prader-Willi syndrome, Spina bifida, Williams syndrome, Intellectual Disability (severe cognitive impairment), Phelan McDermid Syndrome, rare diseases as defined by the National Organization for Rare Disorders, Anaphylaxis, deaf, visually impaired, dual sensory impaired, traumatic brain injured, hospital or home bound. Also, kindergarten students deemed "high risk" because of developmental delays may be eligible. The students need either an Individual Education Plan (IEP) from a Florida school district or a formal diagnosis from a licensed physician or psychologist to qualify. Students can participate in this scholarship as part of home education; however, they cannot be enrolled in a public school or be receiving any other state-sponsored scholarship, including the McKay Scholarship or the Florida Tax Credit Scholarship. A Gardiner Scholarship account is established for each child that is awarded a special needs scholarship. Parents use this money to personalize the education of their children with unique abilities by directing money towards a combination of programs and state approved providers. These include schools, therapists, specialists, curriculum and technology and college savings accounts.

Step Up For Students, per the provisions of state statute, receives an administrative fee of 3% of funded scholarships from the State of Florida to cover the administration of the program on behalf of the State of Florida. During the years ended June 30, 2018 and 2017, Step Up For Students received an administrative fee for administering the program on behalf of the State of Florida in the amount of approximately \$2,834,000 and \$2,064,000, respectively.

During the years ended June 30, 2018 and 2017, Step Up For Students distributed approximately \$77.2 million and \$58.7 million, leaving a balance of approximately \$58.5 million and \$36.2 million, respectively, which is recorded in the accompanying consolidated statement of financial position as both an asset and liability. Step Up For Students is acting as an agent for this program, therefore, there are no revenues and expenses reported on the accompanying statement of activities for scholarship funds received and distributed from the State of Florida.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- **Communications, Policy and Public Affairs:** This program takes the message of the scholarship program to constituency groups, community and political leaders, and local, state and national news publications. It publishes a newsletter with a circulation in excess of 50,000, four times a year, creates monthly student spotlights, issues press releases on topics of special concern, and writes commentary for various publications. The group also analyzes demographic, achievement and participation data and trends in the program and school choice movement.
- **Advocacy and Civic Engagement:** This program, through the Florida Parent Network, organizes parents and supporters who believe children should be educated based on how they learn, rather than where they live. This includes parents who utilize scholarships as well as charter, magnet, home and virtual schools. The Florida Parent Network educates, informs and trains parents to be advocates and supporters for the protections and expansion of choice opportunities. Advocacy and civic engagement provides these services to parents of children participating in programs administered by the Organization and to parents utilizing other choice options under contract service agreements with choice advocacy groups.
- **Scholarship Service Contract:** Step Up For Students has contracted with Empower Illinois, an approved 501(c)(3), Scholarship Granting Organization (SGO) in the State of Illinois, that administers the Illinois Invest in Kids Scholarship program, a tax credit scholarship program. Effective November 2017, Step Up For Students has provided scholarship administration services for Empower Illinois, both in-house and through a third-party partner. Empower Illinois can solicit and receive corporate and individual contributions that are entitled to a 75% state tax credit of corporate and individual state income tax. Those contributions, in turn must be spent to provide scholarships to low income Illinois school children in compliance with the Invest in Kids Act. For the 2018 – 2019 school year, qualified students received scholarships of up to \$12,973, or for Individuals with Disabilities Education Act students, up to \$25,946, to attend a participating private school within the State of Illinois. Scholarships are expended when a student attends a participating school. Empower Illinois is allowed to use up to 5% of the contributions collected to administer this program, and Step Up For Students is compensated for its work by Empower Illinois via those administrative funds.
- **Hope Scholarship:** The Hope Scholarship was established by Florida Statute 1002.40, which was created in 2018 to provide the option of private-school scholarships to students in public schools who have experienced acts of bullying and intimidation. Step Up For Students, as an approved Scholarship Funding Organization (SFO), is authorized to administer Hope Scholarships. The Hope law provides that automobile buyers may redirect up to \$105 of their state taxes on each purchase toward an authorized SFO. Those contributions must be used to provide tuition scholarships to participating private schools or a \$750 transportation scholarship to a public school in another district. The maximum tuition scholarships for 2018-19 are \$6,519 for elementary grades, \$6,815 for middle school and \$7,111 for high school. Step Up is allowed to use up to 3% of the contributions to administer the scholarship. The Hope Scholarship program is in effect for the 2018 – 2019 school year.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- **Reading Scholarship:** The Reading Scholarship was established by Florida Statute 1002.411, which was created in 2018 to provide academic support for public elementary school students who struggle in reading. Step Up For Students, as an approved Scholarship Funding Organization (SFO), is authorized to administer the program. The scholarship is available to students in third- through fifth-grade who have scored a Level 1 or 2 on the English Language Arts section of the Florida Standards Assessment (FSA). Each scholarship is worth \$500, which the parent can use to pay for tuition and fees related to part-time tutoring, summer and after-school literacy programs, instructional materials and more. The funding is from direct state appropriation (a total of \$9.7 million for 2018-19). Step Up For Students is provided an amount equal to 3% of each scholarship to administer the program. The Reading Scholarship program is in effect for the 2018 – 2019 school year.

A summary of the Organization's significant accounting policies follows:

**Principles of consolidation:** The consolidated financial statements include the accounts of Step Up For Students and its wholly owned subsidiary, the Alabama Opportunity Scholarship Fund, LLC. All significant intercompany transactions have been eliminated in consolidation.

**Comparative financial statements:** The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**Use of estimates:** The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and support, and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of presentation:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

A not-for-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets:** Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.

**Temporarily restricted net assets:** Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

**Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Cash and cash equivalents:** For purposes of the statement of cash flows, the Organization considers all short-term securities purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents excludes funds held in trust for students.

The Organization maintains their cash accounts at five commercial banks, which are insured by the Federal Deposit Insurance Corporation (FDIC). Balances exceed amounts insured by the FDIC and the Organization has not experienced any losses on such accounts. To help reduce any potential losses, excess balances are swept into a money market fund which is invested in U.S. Government Obligations.

**Pledges receivable, contributions and grants:** Contributions and grants are recorded in the period received at fair value as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions. Contributions and grants that are restricted by the donor are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When time restrictions expire or purpose restrictions are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give (pledges) are recognized as support in the period received at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is established based upon management's analysis of specific pledges and other economic factors. The Organization has received promises to give from corporations for the Florida Tax Credit Scholarship Program, from corporations and individuals for the Alabama Opportunity Scholarship Program, and from private foundations.

Pledges, which become uncollectible or for which an allowance is established in the year of the pledge, are written off against contribution revenue. Pledges which become uncollectible in subsequent years are charged to the allowance for uncollectible pledges.

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the years ended June 30, 2018 and 2017.

**Accounts and grants receivable:** Accounts and grants receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is established based upon management's analysis of specific accounts and other economic factors. In the opinion of management, an allowance for uncollectible accounts of \$102,760 and \$246,429 was considered necessary at June 30, 2018 and 2017, respectively.

**Restricted certificate of deposit:** Restricted certificate of deposit held by the Organization represents funds required to be set aside by the lessor relating an office lease signed by the Organization in 2015 for collateral and is carried at amortized cost.

**Property and equipment:** Property and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed. Depreciation of property and equipment is computed using the straight-line method of accounting over the estimated useful lives of the depreciable assets. Routine maintenance and repair costs are charged to expense as incurred, while major replacements and improvements are capitalized as additions to the related assets. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and gains or losses from dispositions are credited or charged to income.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Impairment of long-lived assets:** The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups have been recognized during the years ended June 30, 2018 and 2017.

**Funds held in trust for students and funds held in trust for students liability:** Funds held in trust for students and funds held in trust for students liability represents funds received for the Gardiner Scholarship Program. A Gardiner Scholarship account is established for each child that is awarded a special needs scholarship. As parents use these funds in accordance with State of Florida guidelines, the asset and liability are reduced accordingly.

**Functional expenses:** The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

**Income taxes:** Step Up For Students is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements. Step Up For Students has made an election under Section 501(h) of the Internal Revenue Code, which permits certain eligible 501(c)(3) organizations to make limited expenditures to influence legislation. Step Up For Students would be subject to an excise tax if it spends more than the amounts permitted. Such limits have not been exceeded.

The Alabama Opportunity Scholarship Fund is a disregarded entity for federal and state income tax purposes and therefore, reports all federal and state tax information through Step Up For Students. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before June 30, 2015.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the impact this ASU will have on its consolidated financial statements.

In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

The FASB has issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends guidance on the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 replaces the currently required three net asset classes with two net asset classes, *net assets with donor restrictions* and *net assets without donor restrictions*. Other amendments within ASU 2016-14 will improve the usefulness of information provided to donors, grantors, creditors, and other users of a not-for-profit's financial statements. The new guidance is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU's described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

**Subsequent events:** Management has assessed subsequent events through October 30, 2018, the date the consolidated financial statements were available to be issued.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 2. Tax Credit Scholarship Programs and Scholarships Awarded

*Florida Tax Credit Scholarship Program and Scholarships Awarded* – Florida Statutes permit Scholarship Funding Organizations participating in the Florida Tax Credit Scholarship Program to use up to 3% of eligible contributions received for administrative expenses. Scholarship Funding Organizations must expend for annual or partial-year scholarships an amount equal to or greater than 75% of the net eligible contributions remaining after administrative expenses during the year in which such contributions are collected. No more than 25% of such net eligible contributions may be carried forward for expenditure to the following year. During the year ended June 30, 2018, Step Up For Students collected \$611,426,578 of eligible contributions. Step Up For Students claimed an administrative allowance of \$18,342,797 and expended \$641,591,249 for scholarships during the year ended June 30, 2018. During the year ended June 30, 2017, Step Up For Students collected \$548,818,096 of eligible contributions. Step Up For Students claimed an administrative allowance of \$16,464,543 and expended \$536,440,936 for scholarships during the year ended June 30, 2017.

Scholarships under the Florida Tax Credit Scholarship Program are awarded annually to qualified students. To qualify for a scholarship, a student and the parents or guardian of that student must meet economic need requirements, enroll in an eligible private school and comply with certain other responsibilities for program participation. Scholarships for the 2017 – 2018 and 2016 – 2017 school years could not exceed \$6,920 and \$5,886, respectively. The scholarship checks are made payable to the student's parent or guardian and the private school. The checks are mailed to the schools in quarterly installments. Before the mailing, the schools verify the students' attendance and that the students' parents or guardians have complied with their responsibilities under the program. Both the parents or guardians and schools endorse the checks before they are deposited into the schools' bank accounts.

*Alabama Opportunity Scholarship Program and Scholarships Awarded* – The Alabama Accountability Act of 2013 and the Administrative Rulings by the Alabama Department of Revenue permit Scholarship Granting Organizations participating in the Alabama Tax Credit Scholarship Program to use up to 5% of eligible contributions received for administrative expenses. Scholarship Granting Organizations must expend for scholarships an amount equal to or greater than 95% of the net eligible contributions remaining after administrative expenses. During the year ended June 30, 2018, the Alabama Opportunity Scholarship Fund collected \$22,521,746 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$1,126,045 and expended \$9,387,814 for scholarships during the year ended June 30, 2018. During the year ended June 30, 2017, the Alabama Opportunity Scholarship Fund collected \$8,832,356 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$441,843 and expended \$12,015,070 for scholarships during the year ended June 30, 2017.

Scholarships under the Alabama Tax Credit Scholarship Program are awarded annually to qualified students. To qualify for a scholarship, a student and the parents or guardian of that student must meet economic need requirements, enroll in an eligible private school and comply with certain other responsibilities for program participation.

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

#### Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	2018	2017
Furniture and equipment	\$ 1,505,601	\$ 1,329,889
Software	3,358,716	1,576,622
Leasehold improvements	58,625	58,625
	<u>4,922,942</u>	<u>2,965,136</u>
Less accumulated depreciation	(1,936,777)	(1,552,144)
	<u>\$ 2,986,165</u>	<u>\$ 1,412,992</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$384,633 and \$257,002, respectively.

#### Note 4. Line of Credit

Step Up For Students has a \$40,000,000 line of credit agreement with a bank bearing interest at the one-month LIBOR interest rate plus 1.5% (3.5% at June 30, 2018). Interest on the line of credit is payable monthly and matures on April 30, 2019. The line of credit is collateralized by substantially all the assets of Step Up For Students. The line of credit had an outstanding balance of \$14,986,632 at June 30, 2018. There was no outstanding balance on the line of credit at June 30, 2017.

#### Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Florida Tax Credit Scholarship Program	\$ 491,496,263	\$ 472,385,063
Alabama Opportunity Scholarship Program	12,937,978	2,669,334
Communications, Policy and Public Affairs	1,153,854	481,769
	<u>\$ 505,588,095</u>	<u>\$ 475,536,166</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

	2018	2017
Florida Tax Credit Scholarship Program	\$ 641,657,071	\$ 536,518,688
Alabama Opportunity Scholarship Program	9,910,152	12,546,988
Communications, Policy and Public Affairs	1,309,560	226,805
	<u>\$ 652,876,783</u>	<u>\$ 549,292,481</u>

## Step Up For Students, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2017)

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#### Note 6. Commitments

The Organization leases certain office equipment and office space under operating leases which expire at various dates through August 2021. Rent expense for the years ended June 30, 2018 and 2017, was \$809,539 and \$777,444, respectively.

Minimum future annual lease payments under operating leases are as follows:

Years ending June 30:

2019	\$	764,093
2020		546,328
2021		3,896
2022		649
	\$	<u>1,314,966</u>

#### Note 7. Major Donors

*Step Up For Students:* Contributions from two major donors accounted for approximately 32.0% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2018. At June 30, 2018, approximately 34.4% of pledges receivable are due from these major donors. Contributions from two major donors accounted for approximately 41.2% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2017. At June 30, 2017, approximately 47.4% of pledges receivable are due from these major donors.

*Alabama Opportunity Scholarship Fund:* Contributions from one major donor accounted for approximately 14.3% of contributions and grants – Alabama Opportunity Scholarship Program during the year ended June 30, 2018. Contributions from two major donors accounted for approximately 59.4% of contributions and grants – Alabama Opportunity Scholarship Program during the year ended June 30, 2017.

#### Note 8. Retirement Plan

The Organization has a defined contribution 401(k) Savings Plan (the Plan). All employees who meet certain age and service requirements are eligible to participate in the Plan. The Plan provides for salary reduction contributions from employees up to the federal tax limit according to the Internal Revenue Code. In addition, there could be additional retirement benefits from discretionary employer contributions. Contributions to this Plan for the years ended June 30, 2018 and 2017, were \$658,683 and \$479,985, respectively, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

**Step Up For Students, Inc. and Subsidiary**

**Consolidating Statement of Financial Position  
June 30, 2018**

	Step Up For Students	Alabama Opportunity Scholarship Fund	Eliminations	Consolidated
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 5,500,130	\$ 13,585,453	\$ -	\$ 19,085,583
Pledges receivable, net	502,820,023	-	-	502,820,023
Accounts and grants receivable, net	5,050,724	87,058	-	5,137,782
Prepaid expenses and other assets	673,794	27,608	-	701,402
Funds held in trust for students	58,467,378	-	-	58,467,378
<b>Total current assets</b>	<b>572,512,049</b>	<b>13,700,119</b>	<b>-</b>	<b>586,212,168</b>
Restricted Certificate of Deposit	196,000	-	-	196,000
Property and Equipment, Net	2,982,883	3,282	-	2,986,165
<b>Total assets</b>	<b>\$ 575,690,932</b>	<b>\$ 13,703,401</b>	<b>\$ -</b>	<b>\$ 589,394,333</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities				
Accounts payable	\$ 272,771	\$ 16,971	\$ -	\$ 289,742
Accrued expenses	1,875,664	71,290	-	1,946,954
Line of credit	14,986,632	-	-	14,986,632
Funds held in trust for students liability	58,467,378	-	-	58,467,378
<b>Total current liabilities</b>	<b>75,602,445</b>	<b>88,261</b>	<b>-</b>	<b>75,690,706</b>
Net Assets				
Unrestricted	7,438,370	677,162	-	8,115,532
Temporarily restricted	492,650,117	12,937,978	-	505,588,095
<b>Total net assets</b>	<b>500,088,487</b>	<b>13,615,140</b>	<b>-</b>	<b>513,703,627</b>
<b>Total liabilities and net assets</b>	<b>\$ 575,690,932</b>	<b>\$ 13,703,401</b>	<b>\$ -</b>	<b>\$ 589,394,333</b>

**Step Up For Students, Inc. and Subsidiary**

**Consolidating Statement of Activities  
Year Ended June 30, 2018**

	Step Up For Students			Alabama Opportunity Scholarship Fund			Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	
<b>Revenues and Support</b>							
Contributions and grants:							
Florida Tax Credit Scholarship Program, net	\$ 18,342,797	\$ 660,768,271	\$ 679,111,068	\$ -	\$ -	\$ -	\$ 679,111,068
Alabama Opportunity Scholarship Program	-	-	-	1,126,045	19,883,701	21,009,746	21,009,746
Grants and other contributions	817,220	1,981,645	2,798,865	855	295,095	295,950	3,094,815
Gardiner Scholarship Program	2,834,231	-	2,834,231	-	-	-	2,834,231
Other revenue	1,260,909	-	1,260,909	-	-	-	1,260,909
Scholarship service contract revenue	718,720	-	718,720	-	-	-	718,720
Net assets released from restrictions	642,966,631	(642,966,631)	-	9,910,152	(9,910,152)	-	-
<b>Total revenues and support</b>	<b>666,940,508</b>	<b>19,783,285</b>	<b>686,723,793</b>	<b>11,037,052</b>	<b>10,268,644</b>	<b>21,305,696</b>	<b>708,029,489</b>
<b>Expenses</b>							
Program services:							
Florida Tax Credit Scholarship Program	648,283,010	-	648,283,010	-	-	-	648,283,010
Alabama Opportunity Scholarship Program	-	-	-	9,926,404	-	9,926,404	9,926,404
Communications, Policy and Public Affairs	3,565,575	-	3,565,575	-	-	-	3,565,575
Gardiner Scholarship Program	3,418,161	-	3,418,161	-	-	-	3,418,161
School Development and Student Learning	1,893,947	-	1,893,947	-	-	-	1,893,947
Scholarship Service Contract	766,733	-	766,733	-	-	-	766,733
Advocacy and Civic Engagement	409,439	-	409,439	63,087	-	63,087	472,526
Hope Scholarship	151,511	-	151,511	-	-	-	151,511
Reading Scholarship	126,091	-	126,091	-	-	-	126,091
<b>Total program services</b>	<b>658,614,467</b>	<b>-</b>	<b>658,614,467</b>	<b>9,989,491</b>	<b>-</b>	<b>9,989,491</b>	<b>668,603,958</b>
Supporting services:							
General and administrative	3,685,512	-	3,685,512	233,422	-	233,422	3,918,934
Development and fundraising	2,311,284	-	2,311,284	138,046	-	138,046	2,449,330
<b>Total supporting services</b>	<b>5,996,796</b>	<b>-</b>	<b>5,996,796</b>	<b>371,468</b>	<b>-</b>	<b>371,468</b>	<b>6,368,264</b>
<b>Total expenses</b>	<b>664,611,263</b>	<b>-</b>	<b>664,611,263</b>	<b>10,360,959</b>	<b>-</b>	<b>10,360,959</b>	<b>674,972,222</b>
<b>Change in net assets</b>	<b>2,329,245</b>	<b>19,783,285</b>	<b>22,112,530</b>	<b>676,093</b>	<b>10,268,644</b>	<b>10,944,737</b>	<b>33,057,267</b>
<b>Net Assets</b>							
Beginning	5,109,125	472,866,832	477,975,957	1,069	2,669,334	2,670,403	480,646,360
Ending	\$ 7,438,370	\$ 492,650,117	\$ 500,088,487	\$ 677,162	\$ 12,937,978	\$ 13,615,140	\$ 513,703,627

**Step Up For Students, Inc. and Subsidiary**

**Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2018**

<b>Grantor/Program Title</b>	<b>State CSFA Number</b>	<b>Contract/ Grant Number</b>	<b>State Expenditures</b>
<b>State Financial Assistance</b>			
Florida Department of Education and Commissioner of Education: Gardiner Scholarship Program	48.113	92X-90025-8D001	<u>\$ 80,008,601</u>
<b>Total expenditures of state financial assistance</b>			<u><u>\$ 80,008,601</u></u>

See notes to schedule of expenditures of state financial assistance.

## **Step Up For Students, Inc. and Subsidiary**

### **Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2018**

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state financial assistance project activity of Step Up For Students, Inc. and its subsidiary (the Organization) under programs of the State of Florida for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are recognized on the accrual basis of accounting. Such expenditures are reported following the cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

Step Up For Students is acting as an agent for this program, therefore, there are no revenues and expenses reported on the accompanying statement of activities for scholarship funds received and distributed from the State of Florida. The expenditures reported as state financial assistance on the Schedule represent amounts distributed for reimbursement of program-related educational expenditures on behalf of eligible children which totaled \$77,174,370 and \$2,834,231 received from the State of Florida which was used to pay administrative expenses for the administration of the program on behalf of the State of Florida.

**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***

**Independent Auditor's Report**

To the Board of Directors  
Step Up For Students, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Step Up For Students, Inc. and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2018.

**Internal Control Over Financial Reporting**

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 determination of financial statement amounts. 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.

*RSM US LLP*

Orlando, Florida  
October 30, 2018

**Report on Compliance for its Major State Financial Assistance Project and  
Report on Internal Control Over Compliance required by State of Florida  
Chapter 10.650, *Rules of the Auditor General***

**Independent Auditor's Report**

To the Board of Directors  
Step Up For Students, Inc.

**Report on Compliance for its Major State Financial Assistance Project**

We have audited Step Up For Students, Inc. and its subsidiary's (the Organization) compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on the Organization's major state financial assistance project for the year ended June 30, 2018. The Organization's major state financial assistance project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state financial assistance project.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Organization's major state financial assistance project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards and the State of Florida Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major state financial assistance project. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on its Major State Financial Assistance Project**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state financial assistance project for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major state financial assistance project and to test and report on internal control over compliance in accordance with the State of Florida Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 state financial assistance project 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 state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by *those* charged with governance.

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

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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Orlando, Florida  
October 30, 2018

**Step Up For Students, Inc. and Subsidiary**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

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**I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <b>X</b> No
Significant deficiency(ies) identified?	_____ Yes	_____ <b>X</b> None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <b>X</b> No

**State Financial Assistance**

Internal control over major program:

Material weakness(es) identified?	_____ Yes	_____ <b>X</b> No
Significant deficiency(ies) identified?	_____ Yes	_____ <b>X</b> None Reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 10.654(1)(h)(1)(f), *Rules of the Auditor General*? \_\_\_\_\_ Yes       **X**       No

Identification of major program:

<u>CSFA Number(s)</u>	<u>Name of State Financial Assistance Project</u>
48.113	Gardiner Scholarship Program

Dollar threshold used to distinguish between type A and type B state financial assistance projects: \$       2,400,258      

**II. Financial Statement Findings**

No matters to report.

**III. Findings and Questioned Costs for State Financial Assistance**

No matters to report.

**IV. Other Reporting**

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to state financial assistance projects.
2. No Corrective Action Plan is presented because there were no findings required to be reported under the Florida Single Audit Act.
3. There was no management letter or control deficiency letter issued for the year ended June 30, 2018, and there were no matters required to be reported in these letters.