

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

Consolidated Financial Report  
June 30, 2020

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RSM US LLP

## Independent Auditor's Report

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 subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2020, 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 subsidiaries as of June 30, 2020, 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 subsidiaries' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 December 18, 2020, on our consideration of Step Up For Students, Inc. and its subsidiaries' 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 subsidiaries' 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 subsidiaries' internal control over financial reporting and compliance.

*RSM US LLP*

Orlando, Florida  
December 18, 2020

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

**Consolidated Statement of Financial Position**

**June 30, 2020**

**(With Summarized Comparative Information for June 30, 2019)**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 71,827,719	\$ 63,558,310
Pledges receivable, less allowance for uncollectible pledges of \$22,000,000 and \$20,000,000 in 2020 and 2019, respectively	402,513,651	542,649,336
Accounts and grants receivable, less allowance for uncollectible accounts of \$314,830 and \$661,235 in 2020 and 2019, respectively	3,398,534	5,088,297
Prepaid expenses and other assets	889,513	858,639
Funds held in trust for students	109,276,186	82,182,389
<b>Total current assets</b>	<b>587,905,603</b>	<b>694,336,971</b>
Restricted certificate of deposit	65,000	130,000
Property and equipment, net	3,028,266	2,896,104
<b>Total assets</b>	<b>\$ 590,998,869</b>	<b>\$ 697,363,075</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 954,932	\$ 828,692
Accrued expenses	3,244,189	2,262,437
Line of credit	-	35,000,000
Funds held in trust for students liability	109,276,186	82,182,389
<b>Total current liabilities</b>	<b>113,475,307</b>	<b>120,273,518</b>
Commitments and contingencies (Notes 6 and 10)		
Net assets:		
Without donor restrictions	13,567,714	6,621,589
With donor restrictions	463,955,848	570,467,968
<b>Total net assets</b>	<b>477,523,562</b>	<b>577,089,557</b>
<b>Total liabilities and net assets</b>	<b>\$ 590,998,869</b>	<b>\$ 697,363,075</b>

See notes to consolidated financial statements.

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

**Consolidated Statement of Activities**

**Year Ended June 30, 2020**

**(With Summarized Comparative Information for June 30, 2019)**

	2020			Total 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues and support:</b>				
Contributions and grants:				
Florida Tax Credit Scholarship Program, net	\$ 31,780,128	\$ 513,658,422	\$ 545,438,550	\$ 663,389,168
Hope Scholarship Program	3,402,058	63,441,023	66,843,081	42,134,066
Alabama Tax Credit Scholarship Program	171,696	3,264,723	3,436,419	3,620,437
Gardiner Scholarship Program	-	-	-	3,537,044
Reading Scholarship Program	-	-	-	84,280
Grants and other contributions	686,644	1,989,489	2,676,133	2,748,173
Other revenue and interest income	259,920	1,380,963	1,640,883	2,139,289
Scholarship service contract revenue	910,173	-	910,173	981,486
Net assets released from restrictions	690,246,740	(690,246,740)	-	-
<b>Total revenues and support</b>	<b>727,457,359</b>	<b>(106,512,120)</b>	<b>620,945,239</b>	<b>718,633,943</b>
<b>Expenses:</b>				
Program services:				
Florida Tax Credit Scholarship Program	689,211,318	-	689,211,318	625,981,768
Alabama Tax Credit Scholarship Program	8,685,259	-	8,685,259	9,380,985
Gardiner Scholarship Program	5,828,686	-	5,828,686	4,993,457
Hope Scholarship Program	1,673,569	-	1,673,569	1,427,683
School Development and Student Learning	1,553,199	-	1,553,199	1,785,546
Communications, Policy and Public Affairs	1,475,867	-	1,475,867	1,732,298
Family Empowerment Scholarship	1,388,678	-	1,388,678	107,480
Scholarship Service Contract	908,501	-	908,501	1,010,028
Reading Scholarship Program	842,349	-	842,349	827,726
Advocacy and Civic Engagement	725,052	-	725,052	934,496
<b>Total program services</b>	<b>712,292,478</b>	<b>-</b>	<b>712,292,478</b>	<b>648,181,467</b>
Supporting services:				
General and administrative	5,791,531	-	5,791,531	4,399,635
Development and fundraising	2,427,225	-	2,427,225	2,666,911
<b>Total supporting services</b>	<b>8,218,756</b>	<b>-</b>	<b>8,218,756</b>	<b>7,066,546</b>
<b>Total expenses</b>	<b>720,511,234</b>	<b>-</b>	<b>720,511,234</b>	<b>655,248,013</b>
<b>Change in net assets</b>	<b>6,946,125</b>	<b>(106,512,120)</b>	<b>(99,565,995)</b>	<b>63,385,930</b>
<b>Net assets:</b>				
Beginning	6,621,589	570,467,968	577,089,557	513,703,627
Ending	<b>\$ 13,567,714</b>	<b>\$ 463,955,848</b>	<b>\$ 477,523,562</b>	<b>\$ 577,089,557</b>

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

(With Summarized Comparative Information for June 30, 2019)

	2020										
	Program Services										
	Florida Tax Credit Scholarship Program	Alabama Tax Credit Scholarship Program	Gardiner Scholarship Program	Hope Scholarship Program	School Development and Student Learning	Communications, Policy and Public Affairs	Family Empowerment Scholarship	Scholarship Service Contract	Reading Scholarship Program	Advocacy and Civic Engagement	Total Program Services
Scholarships and grants	\$ 658,496,253	\$ 8,242,993	\$ -	\$ 806,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 667,545,702
Provision for doubtful accounts (recovery)	20,521,339	(19,586)	391,573	-	-	-	-	-	-	-	20,893,326
Salaries and wages	4,974,953	143,179	4,525,032	568,653	646,758	395,990	1,257,521	634,702	645,119	166,723	13,958,630
Payroll taxes and employee benefits	1,529,055	32,206	491,800	103,541	320,403	207,692	82,534	105,155	87,599	91,170	3,051,155
Contract services	558,144	181,008	144,349	57,335	39,790	448,112	781	33,751	27,859	26,295	1,517,424
Software licenses, fees and subscriptions	874,311	20,552	93,009	5,811	53,734	75,817	1,954	112,827	4,840	34,111	1,276,966
Rent	363,632	14,022	-	-	100,313	66,939	-	-	-	43,887	588,793
Depreciation	307,474	6,249	-	-	84,821	53,013	-	11,391	-	41,014	503,962
Telephone	445,577	9,453	77,594	13,979	29,711	17,242	12,831	2,269	30,144	13,912	652,712
Recruiting and advertising	380,990	5,653	113,811	87,923	-	15,723	32,835	-	37,372	9,063	683,370
Travel, lodging and meals	47,423	13,315	12,217	3,141	57,970	21,386	222	7,741	1,205	172,784	337,404
Professional fees	2,973	16,148	-	-	821	125,172	-	-	-	359	145,473
Other costs	56,167	8,271	5,201	4,394	144,840	7,331	-	-	528	77,283	304,015
Bank charges and fees	265,750	-	(27,609)	19,077	-	-	-	-	4,905	-	262,123
Insurance	106,500	1,408	-	-	29,666	18,542	-	-	-	13,859	169,975
Printing and postage	139,378	2,816	667	2,709	14,634	2,633	-	665	1,213	20,669	185,384
Repairs and maintenance	101,407	4,622	1,042	-	26,833	16,771	-	-	-	11,740	162,415
Office expenses	39,992	2,950	-	550	2,905	3,504	-	-	1,565	2,183	53,649
Temporary labor	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 689,211,318</b>	<b>\$ 8,685,259</b>	<b>\$ 5,828,686</b>	<b>\$ 1,673,569</b>	<b>\$ 1,553,199</b>	<b>\$ 1,475,867</b>	<b>\$ 1,388,678</b>	<b>\$ 908,501</b>	<b>\$ 842,349</b>	<b>\$ 725,052</b>	<b>\$ 712,292,478</b>

(Continued)

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

**Consolidated Statement of Functional Expenses (Continued)  
Year Ended June 30, 2020  
(With Summarized Comparative Information for June 30, 2019)**

	2020				Total 2019 Expenses
	Supporting Services			Total Expenses	
	General and Administrative	Development and Fundraising	Total Supporting Services		
Scholarships and grants	\$ -	\$ -	\$ -	\$ 667,545,702	\$ 624,325,720
Provision for doubtful accounts (recovery)	-	-	-	20,893,326	603,562
Salaries and wages	2,934,975	1,120,017	4,054,992	18,013,622	16,111,401
Payroll taxes and employee benefits	837,550	367,484	1,205,034	4,256,189	3,867,211
Contract services	446,826	77,214	524,040	2,041,464	2,420,830
Software licenses, fees and subscriptions	184,597	133,410	318,007	1,594,973	1,265,187
Rent	301,726	125,391	427,117	1,015,910	876,072
Depreciation	240,121	109,931	350,052	854,014	758,610
Telephone	53,269	46,327	99,596	752,308	299,461
Recruiting and advertising	40,189	27,028	67,217	750,587	980,303
Travel, lodging and meals	130,673	88,670	219,343	556,747	868,250
Professional fees	307,310	51,085	358,395	503,868	677,885
Other costs	73,205	90,950	164,155	468,170	641,287
Bank charges and fees	38,315	156	38,471	300,594	298,172
Insurance	83,788	37,963	121,751	291,726	288,583
Printing and postage	20,830	68,497	89,327	274,711	355,739
Repairs and maintenance	76,744	33,542	110,286	272,701	466,757
Office expenses	21,413	49,560	70,973	124,622	130,033
Temporary labor	-	-	-	-	12,950
<b>Total</b>	<b>\$ 5,791,531</b>	<b>\$ 2,427,225</b>	<b>\$ 8,218,756</b>	<b>\$ 720,511,234</b>	<b>\$ 655,248,013</b>

See notes to consolidated financial statements.



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

**Consolidated Statement of Cash Flows**

**Year Ended June 30, 2020**

**(With Summarized Comparative Information for June 30, 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (99,565,995)	\$ 63,385,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	854,014	758,610
Provision for doubtful accounts	20,893,326	14,040,332
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	119,289,847	(53,266,083)
Accounts and grants receivable	1,642,275	(554,077)
Prepaid expenses and other assets	(30,874)	(157,237)
Increase (decrease) in liabilities:		
Accounts payable	126,240	538,950
Accrued expenses	981,752	315,483
Funds held in trust for students liability	27,093,797	23,715,011
<b>Net cash provided by operating activities</b>	<b>71,284,382</b>	<b>48,776,919</b>
Cash flows from investing activities:		
Purchases of property and equipment	(986,176)	(668,549)
Decrease in restricted certificate of deposit	65,000	66,000
<b>Net cash used in investing activities</b>	<b>(921,176)</b>	<b>(602,549)</b>
Cash flows from financing activities:		
Borrowings on line of credit	16,000,000	90,000,000
Repayments on line of credit	(51,000,000)	(69,986,632)
<b>Net cash (used in) provided by financing activities</b>	<b>(35,000,000)</b>	<b>20,013,368</b>
<b>Net increase in cash and cash equivalents and funds held in trust for students</b>	<b>35,363,206</b>	<b>68,187,738</b>
Cash and cash equivalents and funds held in trust for students:		
Beginning	145,740,699	77,552,961
Ending	<b>\$ 181,103,905</b>	<b>\$ 145,740,699</b>
Cash and cash equivalents and funds held in trust for students is included in the following captions on the consolidated statement of financial position:		
Cash and cash equivalents	\$ 71,827,719	\$ 63,558,310
Funds held in trust for students	109,276,186	82,182,389
	<b>\$ 181,103,905</b>	<b>\$ 145,740,699</b>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 29,234	\$ 130,714

See notes to consolidated financial statements.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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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 subsidiaries (collectively, the Organization) is to empower families to pursue and engage in the most appropriate learning options for their children, with an emphasis on families who lack the information and 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 108,370 and 100,415 students in 1,859 and 1,811 private schools across Florida during the 2019 – 2020 and 2018 – 2019 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, 2020 and 2019, Step Up For Students administered the program on behalf of the State of Florida for 14,033 and 11,845 eligible children, respectively.

The Alabama Opportunity Scholarship Fund, LLC (Alabama Opportunity Scholarship Fund) is a not-for-profit limited liability company incorporated on October 4, 2013, whose sole member is Step Up For Students. The Alabama Opportunity Scholarship Fund was established to operate under the standards prescribed by the Alabama Accountability Act of 2013. Through the Alabama Opportunity Scholarship Fund K-12 scholarship program, 1,280 and 1,568 children received scholarships to attend private schools for the 2019 – 2020 and 2018 – 2019 school years, respectively.

The C2 Opportunity Scholarships, LLC (C2) is a not-for-profit limited liability company incorporated on November 28, 2018, whose sole member is Step Up For Students. C2 was established to operate under the standards prescribed by the Alabama Accountability Act of 2013. Through the C2 K-12 scholarship program, 48 children received scholarships to attend private schools for the 2019 – 2020 school year. There were no scholarships made during the year ended June 30, 2019.

The Academics+ Opportunity Scholarship Fund, LLC (Academics+) is a not-for-profit limited liability company incorporated on October 9, 2019, whose sole member is Step Up For Students. Academics+ was established to operate under the standards prescribed by the Alabama Accountability Act of 2013. Through the Academics+ K-12 scholarship program, there were no scholarships made during the year ended June 30, 2020.

The Alabama Opportunity Action Fund (AOAF) is a not-for-profit organization incorporated on March 15, 2019, affiliated to Step Up For Students through common control and management, with the support of the American Federation for Children to create positive grassroots and legislative influence for scholarship programs and school choice programs in Alabama. AOAF brought dozens of scholarship families from around the State to the Statehouse to share their stories with legislators and ask them to continue supporting the scholarship program. Additionally, AOAF spent the session creating a grassroots team to support an education savings account for special needs students, which it continues to grow.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

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 2019 – 2020 school year and the 2018 – 2019 school year, qualified students received a maximum scholarship of \$9,197 and \$7,111, 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. During the year ended June 30, 2019, Step Up For Students was allowed to use up to 3% of the contributions collected to administer the scholarship program. Effective July 1, 2019, due to Florida statutory changes, the State of Florida changed the guidelines for calculation and use of the administrative fee (see Administrative fee for management of Florida Scholarship Programs below).
- **Alabama Tax Credit Scholarship Program:** The Alabama Opportunity Scholarship Fund, C2 and Academics+ were 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, C2 and Academics+ 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, C2 and Academics+ 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, C2 and Academics+ 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, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

During the year ended June 30, 2019, Step Up For Students, per the provisions of state statute, received 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 year ended June 30, 2019, Step Up For Students received an administrative fee for administering the program on behalf of the State of Florida in the amount of approximately \$3,537,000. Effective July 1, 2019, due to Florida statutory changes, the State of Florida changed the guidelines for calculation and use of the administrative fee (see Administrative fee for management of Florida Scholarship Programs below).

During the years ended June 30, 2020 and 2019, Step Up For Students distributed approximately \$115.8 million and \$97.8 million, leaving a balance of approximately \$104.5 million and \$79.5 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 consolidated statement of activities for scholarship funds received and distributed from the State of Florida.

- **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 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 education choice movement. This group also responds to numerous information requests from newspapers and other media.
- **Advocacy and Civic Engagement:** This program, through the Florida Voices For Choices, 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 Voices For Choice 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 2019 – 2020 school year and the 2018 – 2019 school year, qualified students received scholarships of up to \$13,336, or for Individuals with Disabilities Education Act students, up to \$26,673, 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. The contract between Empower Illinois and Step Up For Students ended on April 10, 2020.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

- **Hope Scholarship Program:** The Hope Scholarship Program 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 Scholarship Program 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. Any unused funds in the Hope Scholarship Program can be used to fund scholarships to students in the Florida Tax Credit Scholarship Program in the next State of Florida fiscal year. For the 2019 – 2020 school year and the 2018 – 2019 school year, qualified students received a maximum scholarship of \$9,197 and \$7,111, respectively. During the year ended June 30, 2019, Step Up for Students was allowed to use up to 3% of the contributions to administer the scholarship and claimed an administrative fee of \$1,264,022. Effective July 1, 2019, due to Florida statutory changes, the State of Florida changed the guidelines for calculation and use of the administrative fee (see Administrative fee for management of Florida Scholarship Programs below). Through the Hope Scholarship Program, 455 and 128 students received scholarships for the 2019 – 2020 school year and the 2018 – 2019 school year, respectively. During the years ended June 30, 2020 and 2019, Step Up For Students collected \$66,843,081 and \$42,134,066, respectively, of eligible contributions. Step Up For Students expended \$806,456 and \$290,968 for scholarships during the years ended June 30, 2020 and 2019, respectively. Any unused funds in the Hope Scholarship Program can be used to fund scholarships to students of the Florida Tax Credit Scholarship Program in the next State of Florida fiscal year.
- **Reading Scholarship Program:** The Reading Scholarship Program was established by Florida Statute 1002.411, which was created in 2018 to provide academic support for elementary school students who struggle in reading in district or charter schools. 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 Reading Scholarship account is established for each child that is awarded a reading scholarship. Through the Reading Scholarship Program, 6,783 and 5,658 students received scholarships for the 2019 – 2020 school year and the 2018 – 2019 school year, respectively.

During the year ended June 30, 2019, Step Up For Students, per the provisions of state statute, received 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 year ended June 30, 2019, Step Up For Students received an administrative fee for administering the program on behalf of the State of Florida in the amount of approximately \$84,000. Effective July 1, 2019, due to Florida statutory changes, the State of Florida changed the guidelines for calculation and use of the administrative fee (see Administrative fee for management of Florida Scholarship Programs below).

During the years ended June 30, 2020 and 2019, Step Up For Students distributed approximately \$1.3 million and \$304,000, leaving a balance of approximately \$4.8 million and \$2.7 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 consolidated statement of activities for scholarship funds received and distributed from the State of Florida.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

- **Family Empowerment Scholarship:** In May 2019, the Florida State Governor signed into law the Family Empowerment Scholarship, which is intended to help reduce the waiting list for the Florida Tax Credit Scholarship Program and similarly services students from low-income and working-class households. Step Up For Students works directly with the State of Florida Department of Education to administer this scholarship and served approximately 18,000 K-12 students for 2019 – 2020 school year.

**Administrative fee for management of Florida Scholarship Programs:** Due to Florida statutory changes effective July 1, 2019, Step Up For Students can receive an administrative fee not to exceed 3% of scholarships awarded for the management of all Florida Scholarship Programs. For determining the income eligibility for the Family Empowerment Scholarship Program (see above), Step Up For Students receives 1% in administrative fees.

During the year ended June 30, 2020, total scholarships awarded to students was 176,352, which resulted in \$35,182,186 of administrative fees. This administrative fee was used to manage the Florida Tax Credit Scholarship Program, Hope Scholarship Program, Gardiner Scholarship Program, Reading Scholarship Program and the determination of eligibility for the Family Empowerment Scholarship Program in the State of Florida.

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 subsidiaries, the Alabama Opportunity Scholarship Fund, LLC, C2 Opportunity Scholarships, LLC and Academics+ Opportunity Scholarship Fund, LLC. In addition, the consolidated financial statements include the accounts of Alabama Opportunity Action Fund, which is affiliated to Step Up For Students through common control and management. 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, 2019, 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 two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

**Net assets with donor restrictions:** Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time, or permanently maintained by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**Cash and cash equivalents:** For purposes of the consolidated 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 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 net assets without donor restrictions or net assets with donor restrictions 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 net assets with donor restrictions depending on the nature of the restrictions. When time restrictions expire or purpose restrictions are fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 Tax Credit 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, 2020 and 2019.

**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 \$314,830 and \$661,235 was considered necessary at June 30, 2020 and 2019, respectively.

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

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

**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.

**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, 2020 and 2019.

**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 and the Reading Scholarship Program. A Gardiner Scholarship account is established for each child that is awarded a special needs scholarship and a Reading Scholarship account is established for each child that is awarded a reading scholarship. As parents use these funds in accordance with State of Florida guidelines, the asset and liability are reduced accordingly. The following represents a breakout of the funds held in trust for students and funds held in trust for students liability at June 30, 2020 and 2019:

	2020	2019
Gardiner Scholarship Program	\$ 104,456,099	\$ 79,443,366
Reading Scholarship Program	4,820,087	2,739,023
	<u>\$ 109,276,186</u>	<u>\$ 82,182,389</u>

**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. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

**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.



## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

The Alabama Opportunity Scholarship Fund, C2 and Academics+ are disregarded entities 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.

AOAF is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and from state income taxes under similar provisions of the Alabama Statutes. 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, 2017.

**Recent accounting pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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, 2019. 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 ASU 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, 2021. 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.

**Newly adopted accounting pronouncements:** In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. The Organization has adopted ASU 2018-08 as of July 1, 2019, with no material impact on its consolidated financial statements.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The Organization adopted ASU 2016-18 as of July 1, 2019, using a retrospective transition method of adoption. As a result of adoption, the consolidated statement of cash flows includes both cash and cash equivalents and funds held in trust for students.

**Subsequent events:** Management has assessed subsequent events through December 18, 2020, the date the consolidated financial statements were available to be issued.

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

**Florida Tax Credit Scholarship Program and Scholarships Awarded** – During the year ended June 30, 2019, Florida Statutes permitted Scholarship Funding Organizations participating in the Florida Tax Credit Scholarship Program to use up to 3% of eligible contributions received for administrative expenses. Effective July 1, 2019, due to Florida statutory changes, the State of Florida changed the guidelines for calculation and use of the administrative fee (see Note 1 – Administrative fee for management of Florida Scholarship Programs). 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. Step Up For Students expended \$658,496,253 for scholarships during the year ended June 30, 2020. During the year ended June 30, 2019, Step Up For Students collected \$615,088,723 of eligible contributions. Step Up For Students claimed an administrative allowance of \$18,452,512 and expended \$615,252,820 for scholarships during the year ended June 30, 2019. During the years ended June 30, 2020 and 2019, Step Up For Students received transferred funds from another SFO amounting to \$4,886,275 and \$8,481,132, respectively, in which Step Up For Students was entitled to a 2% administrative allowance and claimed \$0 and \$169,623 during the years ended June 30, 2020 and 2019, respectively.

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 2019 – 2020 school year and 2018 – 2019 school year could not exceed \$9,197 and \$7,111, 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. Step Up For Students received a waiver from the Florida Department of Education to waive parent approval and endorsement of payment for our fourth scholarship distribution, which was paid via ACH due to COVID-19.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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#### Note 2. Tax Credit Scholarship Programs and Scholarships Awarded (Continued)

**Alabama Tax Credit 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, 2020, the Alabama Opportunity Scholarship Fund collected \$2,957,747 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$147,887 and expended \$7,992,191 for scholarships during the year ended June 30, 2020. During the year ended June 30, 2019, the Alabama Opportunity Scholarship Fund collected \$3,339,900 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$166,995 and expended \$8,781,932 for scholarships during the year ended June 30, 2019.

During the year ended June 30, 2020, C2 collected \$396,980 of eligible contributions. C2 claimed an administrative allowance of \$19,849 and expended \$250,802 for scholarships during the year ended June 30, 2020. During the year ended June 30, 2019, C2 collected \$275,537 of eligible contributions. C2 claimed an administrative allowance of \$13,777 and there were no amounts expended for scholarships during the year ended June 30, 2019. During the year ended June 30, 2020, Academics+ collected \$79,192 of eligible contributions. Academics+ claimed an administrative allowance of \$3,960 and there were no amounts expended for scholarships during the year ended June 30, 2020.

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.

#### Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	2020	2019
Furniture and equipment	\$ 1,383,067	\$ 1,320,061
Software	4,159,525	3,269,663
Leasehold improvements	47,544	47,544
	5,590,136	4,637,268
Less accumulated depreciation	(2,561,870)	(1,741,164)
	<u>\$ 3,028,266</u>	<u>\$ 2,896,104</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$854,014 and \$758,610, respectively.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

#### Note 4. Line of Credit

Step Up For Students has a \$62,000,000 line of credit agreement with a bank bearing interest at the one-month LIBOR interest rate plus 1% (1.18% at June 30, 2020). Interest on the line of credit is payable monthly and matures on September 27, 2021. The line of credit is collateralized by substantially all the assets of Step Up For Students. The Organization maintains \$60,000,000 of the line of credit for the purpose of funding Florida Tax Credit Scholarship commitments in the event that expected contributions from donors are delayed and \$2,000,000 for operating liquidity. There was no outstanding balance on the line of credit at June 30, 2020. The line of credit had an outstanding balance of \$35,000,000 at June 30, 2019.

The outstanding balance at June 30, 2019 was utilized to fund scholarships for the last distributions of the fiscal year for the Florida Tax Credit Scholarship Program. During 2019, several donors took advantage of a change in the statutory program provisions that allowed them to make donation payments up to the due date for submission of their tax returns. As such, pledges receivable increased by \$39,829,313 during 2019 and the Organization used the line of credit to offset these delayed receipts. The outstanding balance was repaid in full on July 2, 2019 for the year ended 2019.

#### Note 5. Net Assets

Net assets without donor restrictions are available for the following purposes at June 30:

	2020	2019
Undesignated	\$ 13,567,714	\$ 5,338,047
Board designated for specified purposes	-	1,283,542
	<u>\$ 13,567,714</u>	<u>\$ 6,621,589</u>

Net assets with donor restrictions are available for the following purposes at June 30:

	2020	2019
Florida Tax Credit Scholarship Program	\$ 357,139,958	\$ 521,424,386
Hope Scholarship	103,689,337	40,840,971
Alabama Tax Credit Scholarship Program	2,709,932	7,548,453
Communications, Policy and Public Affairs	416,621	654,158
	<u>\$ 463,955,848</u>	<u>\$ 570,467,968</u>

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

	2020	2019
Florida Tax Credit Scholarship Program	\$ 679,082,410	\$ 615,886,182
Hope Scholarship	806,456	290,968
Alabama Tax Credit Scholarship Program	8,817,978	9,226,864
Communications, Policy and Public Affairs	1,539,896	2,216,426
	<u>\$ 690,246,740</u>	<u>\$ 627,620,440</u>

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

#### Note 6. Commitments

The Organization leases certain office equipment and office space under operating leases, which expire at various dates through October 2022. Rent expense for the years ended June 30, 2020 and 2019, was \$1,015,910 and \$876,072, respectively.

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

Years ending June 30:

2021	\$	786,202
2022		210,208
2023		3,564
	\$	<u>999,974</u>

#### Note 7. Liquidity and Availability of Resources

As of June 30, 2020 and 2019, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts used to repay the line of credit on July 2, 2019, within one year of June 30, 2020 and 2019.

	2020	2019
Financial assets, at year-end		
Cash and cash equivalents	\$ 71,827,719	\$ 63,558,310
Pledges receivable, net	402,513,651	542,649,336
Accounts and grants receivable, net	3,398,534	5,088,297
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(463,937,218)	(570,467,968)
Board designations:		
Board designated for Florida Tax Credit Scholarship Program	-	(1,283,542)
Repayment of line of credit on July 2, 2019	-	(35,000,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,802,686</u>	<u>\$ 4,544,433</u>

The Organization's goal is to manage its tax-credited fundraising and associated scholarship commitments such that as many students as possible receive a scholarship while maintaining a 5% reserve of the funds received (approximately \$32.5 million). The purpose of that reserve is to provide for timing differences and potential rescindments by donors. During the year ended June 30, 2020, the Organization encountered a decrease in net assets with donor restrictions of approximately \$106 million, which was predominantly due to timing of contributions received from donors and the COVID-19 pandemic. The Organization has managed scholarship commitments for the next school year accordingly to maintain the targeted reserve.

Historically, the Organization pays scholarship payments four times per year during the school year, the timing for which is established based on historical fundraising trends such that sufficient donations are received prior to each payment. Donations received between scholarship payments are invested in short-term U.S. Treasury instruments, the interest from which is designated to fund scholarships.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)

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#### Note 7. Liquidity and Availability of Resources (Continued)

The Organization maintains a \$62 million line of credit of which \$60 million is restricted for the purpose of funding scholarship commitments in the event that expected contributions from donors are delayed and \$2 million for operating liquidity.

As of the statement of financial position date, the Organization has materially paid all scholarship commitments as the school year had ended for all of its scholarship recipients. During 2020, all scholarships were paid from donations received and the Organization carried forward \$16 million of scholarship funds over to 2021. During 2019, the Organization borrowed \$35 million in June 2019 to partially fund the final major distribution of the 2019 school year. The full amount was repaid on July 2, 2019, as sufficient funds were available.

#### Note 8. Major Donors

*Step Up For Students:* Contributions from one major donor accounted for approximately 29.2% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2020. At June 30, 2020, approximately 35.3% of pledges receivable are due from this major donor. Contributions from one major donor accounted for approximately 22.4% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2019. At June 30, 2019, approximately 26.7% of pledges receivable are due from this major donor.

*Alabama Opportunity Scholarship Fund:* Contributions from one major donor accounted for approximately 50.8% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2020. Contributions from one major donor accounted for approximately 44.8% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2019.

*C2:* Contributions from two major donors accounted for approximately 30.0% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2020. Contributions from one major donor accounted for approximately 14.5% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2019.

*Academics+:* Contributions from two major donors accounted for approximately 33.3% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2020.

#### Note 9. 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, 2020 and 2019, were \$760,230 and \$756,938, respectively, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

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

**Notes to Consolidated Financial Statements**

**(With Summarized Comparative Information as of or for the Year Ended June 30, 2019)**

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**Note 10. COVID-19**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The extent to which COVID-19 impacts the operations of the Organization in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States. In particular, the continued spread of COVID-19 could adversely impact the Organization’s operations, including among others, contributions and grants revenue, and may have a material adverse effect on the financial condition, results of operations and cash flows of the Organization.

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

**Consolidating Statement of Financial Position  
June 30, 2020**

	Step Up For Students, Inc.	Alabama Opportunity Scholarship Fund, LLC	C2 Opportunity Scholarships, LLC	Academics+ Opportunity Scholarship Fund, LLC	Alabama Opportunity Action Fund	Eliminations	Consolidated
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 68,867,387	\$ 2,194,021	\$ 525,166	\$ 98,839	\$ 142,306	\$ -	\$ 71,827,719
Pledges receivable, net	402,506,151	-	2,500	5,000	-	-	402,513,651
Accounts and grants receivable, net	3,378,153	20,381	-	-	-	-	3,398,534
Prepaid expenses and other assets	889,513	-	-	-	-	-	889,513
Funds held in trust for students	109,276,186	-	-	-	-	-	109,276,186
Due from related party	10,748	73,759	-	-	-	(84,507)	-
<b>Total current assets</b>	<b>584,928,138</b>	<b>2,288,161</b>	<b>527,666</b>	<b>103,839</b>	<b>142,306</b>	<b>(84,507)</b>	<b>587,905,603</b>
Restricted certificate of deposit	65,000	-	-	-	-	-	65,000
Property and equipment, net	2,781,910	246,356	-	-	-	-	3,028,266
<b>Total assets</b>	<b>\$ 587,775,048</b>	<b>\$ 2,534,517</b>	<b>\$ 527,666</b>	<b>\$ 103,839</b>	<b>\$ 142,306</b>	<b>\$ (84,507)</b>	<b>\$ 590,998,869</b>
<b>Liabilities and Net Assets</b>							
Current liabilities:							
Accounts payable	\$ 954,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 954,932
Accrued expenses	3,188,611	49,770	2,748	-	3,060	-	3,244,189
Line of credit	-	-	-	-	-	-	-
Funds held in trust for students liability	109,276,186	-	-	-	-	-	109,276,186
Due to related party	-	-	54,769	19,026	10,712	(84,507)	-
<b>Total current liabilities</b>	<b>113,419,729</b>	<b>49,770</b>	<b>57,517</b>	<b>19,026</b>	<b>13,772</b>	<b>(84,507)</b>	<b>113,475,307</b>
Net assets:							
Without donor restrictions	13,237,937	340,636	(15,440)	4,581	-	-	13,567,714
With donor restrictions	461,117,382	2,144,111	485,589	80,232	128,534	-	463,955,848
<b>Total net assets</b>	<b>474,355,319</b>	<b>2,484,747</b>	<b>470,149</b>	<b>84,813</b>	<b>128,534</b>	<b>-</b>	<b>477,523,562</b>
<b>Total liabilities and net assets</b>	<b>\$ 587,775,048</b>	<b>\$ 2,534,517</b>	<b>\$ 527,666</b>	<b>\$ 103,839</b>	<b>\$ 142,306</b>	<b>\$ (84,507)</b>	<b>\$ 590,998,869</b>



## Step Up For Students, Inc. and Subsidiaries

### Consolidating Statement of Activities Year Ended June 30, 2020

	Step Up For Students, Inc.			Alabama Opportunity Scholarship Fund, LLC		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions and grants:						
Florida Tax Credit Scholarship Program, net	\$ 31,780,128	\$ 513,658,422	\$ 545,438,550	\$ -	\$ -	\$ -
Hope Scholarship Program	3,402,058	63,441,023	66,843,081	-	-	-
Alabama Tax Credit Scholarship Program	-	-	-	147,887	2,804,860	2,952,747
Grants and other contributions	653,217	1,222,359	1,875,576	10,331	472,130	482,461
Other revenue and interest income	259,480	1,353,359	1,612,839	440	27,604	28,044
Scholarship service contract revenue	910,173	-	910,173	-	-	-
Net assets released from restrictions	681,252,482	(681,252,482)	-	8,447,176	(8,447,176)	-
<b>Total revenues and support</b>	<b>718,257,538</b>	<b>(101,577,319)</b>	<b>616,680,219</b>	<b>8,605,834</b>	<b>(5,142,582)</b>	<b>3,463,252</b>
Expenses:						
Program services:						
Florida Tax Credit Scholarship Program	689,211,318	-	689,211,318	-	-	-
Alabama Tax Credit Scholarship Program	-	-	-	8,369,022	-	8,369,022
Gardiner Scholarship Program	5,828,686	-	5,828,686	-	-	-
Hope Scholarship Program	1,673,569	-	1,673,569	-	-	-
School Development and Student Learning	1,553,199	-	1,553,199	-	-	-
Communications, Policy and Public Affairs	1,299,587	-	1,299,587	-	-	-
Family Empowerment Scholarship	1,388,678	-	1,388,678	-	-	-
Scholarship Service Contract	908,501	-	908,501	-	-	-
Reading Scholarship Program	842,349	-	842,349	-	-	-
Advocacy and Civic Engagement	700,881	-	700,881	24,171	-	24,171
<b>Total program services</b>	<b>703,406,768</b>	<b>-</b>	<b>703,406,768</b>	<b>8,393,193</b>	<b>-</b>	<b>8,393,193</b>
Supporting services:						
General and administrative	5,579,805	-	5,579,805	108,356	-	108,356
Development and fundraising	2,291,565	-	2,291,565	66,435	-	66,435
<b>Total supporting services</b>	<b>7,871,370</b>	<b>-</b>	<b>7,871,370</b>	<b>174,791</b>	<b>-</b>	<b>174,791</b>
<b>Total expenses</b>	<b>711,278,138</b>	<b>-</b>	<b>711,278,138</b>	<b>8,567,984</b>	<b>-</b>	<b>8,567,984</b>
<b>Change in net assets</b>	<b>6,979,400</b>	<b>(101,577,319)</b>	<b>(94,597,919)</b>	<b>37,850</b>	<b>(5,142,582)</b>	<b>(5,104,732)</b>
Net assets:						
Beginning	6,258,537	562,694,701	568,953,238	302,786	7,286,693	7,589,479
Ending	\$ 13,237,937	\$ 461,117,382	\$ 474,355,319	\$ 340,636	\$ 2,144,111	\$ 2,484,747

## Step Up For Students, Inc. and Subsidiaries

### Consolidating Statement of Activities (Continued)

Year Ended June 30, 2020

	C2 Opportunity Scholarships, LLC			Academics+ Opportunity Scholarship Fund, LLC			Alabama Opportunity Action Fund			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:										
Contributions and grants:										
Florida Tax Credit Scholarship Program, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 545,438,550
Hope Scholarship Program	-	-	-	-	-	-	-	-	-	66,843,081
Alabama Tax Credit Scholarship Program	19,849	379,631	399,480	3,960	80,232	84,192	-	-	-	3,436,419
Grants and other contributions	22,505	150,000	172,505	591	65,000	65,591	-	80,000	80,000	2,676,133
Other revenue and interest income	-	-	-	-	-	-	-	-	-	1,640,883
Scholarship service contract revenue	-	-	-	-	-	-	-	-	-	910,173
Net assets released from restrictions	305,802	(305,802)	-	65,000	(65,000)	-	176,280	(176,280)	-	-
<b>Total revenues and support</b>	<b>348,156</b>	<b>223,829</b>	<b>571,985</b>	<b>69,551</b>	<b>80,232</b>	<b>149,783</b>	<b>176,280</b>	<b>(96,280)</b>	<b>80,000</b>	<b>620,945,239</b>
Expenses:										
Program services:										
Florida Tax Credit Scholarship Program	-	-	-	-	-	-	-	-	-	689,211,318
Alabama Tax Credit Scholarship Program	304,893	-	304,893	11,344	-	11,344	-	-	-	8,685,259
Gardiner Scholarship Program	-	-	-	-	-	-	-	-	-	5,828,686
Hope Scholarship Program	-	-	-	-	-	-	-	-	-	1,673,569
School Development and Student Learning	-	-	-	-	-	-	-	-	-	1,553,199
Communications, Policy and Public Affairs	-	-	-	-	-	-	176,280	-	176,280	1,475,867
Family Empowerment Scholarship	-	-	-	-	-	-	-	-	-	1,388,678
Scholarship Service Contract	-	-	-	-	-	-	-	-	-	908,501
Reading Scholarship Program	-	-	-	-	-	-	-	-	-	842,349
Advocacy and Civic Engagement	-	-	-	-	-	-	-	-	-	725,052
<b>Total program services</b>	<b>304,893</b>	<b>-</b>	<b>304,893</b>	<b>11,344</b>	<b>-</b>	<b>11,344</b>	<b>176,280</b>	<b>-</b>	<b>176,280</b>	<b>712,292,478</b>
Supporting services:										
General and administrative	68,933	-	68,933	34,437	-	34,437	-	-	-	5,791,531
Development and fundraising	50,036	-	50,036	19,189	-	19,189	-	-	-	2,427,225
<b>Total supporting services</b>	<b>118,969</b>	<b>-</b>	<b>118,969</b>	<b>53,626</b>	<b>-</b>	<b>53,626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,218,756</b>
<b>Total expenses</b>	<b>423,862</b>	<b>-</b>	<b>423,862</b>	<b>64,970</b>	<b>-</b>	<b>64,970</b>	<b>176,280</b>	<b>-</b>	<b>176,280</b>	<b>720,511,234</b>
<b>Change in net assets</b>	<b>(75,706)</b>	<b>223,829</b>	<b>148,123</b>	<b>4,581</b>	<b>80,232</b>	<b>84,813</b>	<b>-</b>	<b>(96,280)</b>	<b>(96,280)</b>	<b>(99,565,995)</b>
Net assets:										
Beginning	60,266	261,760	322,026	-	-	-	-	224,814	224,814	577,089,557
Ending	\$ (15,440)	\$ 485,589	\$ 470,149	\$ 4,581	\$ 80,232	\$ 84,813	\$ -	\$ 128,534	\$ 128,534	\$ 477,523,562

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

**Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2020**

<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-90025-0D001	\$ 115,823,791
Reading Scholarship Accounts Program	48.157	92X-90550-0D001	<u>1,117,351</u>
<b>Total expenditures of state financial assistance</b>			<u><u>\$ 116,941,142</u></u>

See notes to schedule of expenditures of state financial assistance.

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

### **Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2020**

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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 subsidiaries (the Organization) under programs of the State of Florida for the year ended June 30, 2020. 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 the Gardiner Scholarship Program; therefore, there are no revenues and expenses reported on the accompanying consolidated 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 \$115,823,791.

Step Up For Students is acting as an agent for the Reading Scholarship Accounts Program; therefore, there are no revenues and expenses reported on the accompanying consolidated 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 expenditures on behalf of eligible children, which totaled \$1,117,351.

#### **Note 3. Subrecipients**

There was no state financial assistance passed through to subrecipients by the Organization.

**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**

Board of Directors  
Step Up For Students, 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 consolidated financial statements of Step Up For Students, Inc. and its subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, 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 December 18, 2020.

**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) as a basis for designing 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 consolidated 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.

*RSM US LLP*

Orlando, Florida  
December 18, 2020



RSM US LLP

**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**

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 subsidiaries' (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, 2020. 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, 2020.

### **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  
December 18, 2020



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

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

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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?	<u>          </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>  X  </u> None Reported
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>  X  </u> No

**State Financial Assistance**

Internal control over major program:

Material weakness(es) identified?	<u>          </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>  X  </u> 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:            \$   3,508,234  

**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, 2020, and there were no matters required to be reported in these letters.