

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

Consolidated Financial Report  
June 30, 2021

## Contents

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|                              |     |
|------------------------------|-----|
| Independent auditor's report | 1-2 |
|------------------------------|-----|

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|   |      |
|---|------|
| Financial statements                          |      |
| Consolidated statement of financial position  | 3    |
| Consolidated statement of activities          | 4    |
| Consolidated statement of functional expenses | 5-6  |
| Consolidated statement of cash flows          | 7    |
| Notes to consolidated financial statements    | 8-21 |

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|  |       |
|--|-------|
| Supplementary information  |       |
| Consolidating statement of financial position                                      | 22    |
| Consolidating statement of activities  | 23-24 |
| Schedule of expenditures of federal awards and state financial assistance          | 25    |
| Notes to schedule of expenditures of federal awards and state financial assistance | 26    |

---

|   |       |
|---|-------|
| Independent auditor's report on internal control over financial reporting<br>and on compliance and other matters based on an audit of financial<br>statements performed in accordance with <i>Government Auditing Standards</i> | 27-28 |
|---|-------|

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|   |       |
|---|-------|
| Independent auditor's report on compliance for each major federal program and state<br>financial assistance project and report on internal control over compliance required by<br>the Uniform Guidance and State of Florida Chapter 10.650, <i>Rules of the Auditor General</i> | 29-30 |
|---|-------|

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|   |       |
|---|-------|
| Schedule of findings and questioned costs | 31-32 |
|---|-------|

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## 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, 2021, 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 (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Step Up For Students, Inc. and its subsidiaries as of June 30, 2021, 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' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited 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 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 financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021, 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 28, 2021

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

**Consolidated Statement of Financial Position**

**June 30, 2021**

**(With Summarized Comparative Information for June 30, 2020)**

|  | 2021                  | 2020                  |
|--|-----------------------|-----------------------|
| <b>Assets</b>  |                       |                       |
| Current assets:  |                       |                       |
| Cash and cash equivalents  | \$ 143,976,692        | \$ 71,827,719         |
| Pledges receivable, less allowance for uncollectible pledges<br>of \$20,000,000 and \$22,000,000 in 2021 and 2020, respectively        | 621,135,859           | 402,513,651           |
| Accounts and grants receivable, less allowance for uncollectible<br>accounts of \$220,734 and \$314,830 in 2021 and 2020, respectively | 2,575,907             | 3,398,534             |
| Prepaid expenses and other assets  | 542,434               | 889,513               |
| Funds held in trust for students   | 142,229,767           | 109,276,186           |
| <b>Total current assets</b>  | <b>910,460,659</b>    | <b>587,905,603</b>    |
| Restricted certificate of deposit  | 116,000               | 65,000                |
| Right-of-use lease assets  | 1,135,226             | -                     |
| Property and equipment, net  | 6,507,864             | 3,028,266             |
| <b>Total assets</b>  | <b>\$ 918,219,749</b> | <b>\$ 590,998,869</b> |
| <b>Liabilities and Net Assets</b>  |                       |                       |
| Current liabilities:   |                       |                       |
| Accounts payable   | \$ 5,726,903          | \$ 954,932            |
| Accrued expenses   | 3,011,177             | 3,244,189             |
| Funds held in trust for students liability   | 142,229,767           | 109,276,186           |
| Current portion of right-of-use lease liabilities  | 396,023               | -                     |
| <b>Total current liabilities</b>   | <b>151,363,870</b>    | <b>113,475,307</b>    |
| Right-of-use lease liabilities, net of current portion   | 751,280               | -                     |
| <b>Total liabilities</b>   | <b>152,115,150</b>    | <b>113,475,307</b>    |
| Commitments (Note 6)   |                       |                       |
| Net assets:  |                       |                       |
| Without donor restrictions   | 18,684,216            | 13,567,714            |
| With donor restrictions  | 747,420,383           | 463,955,848           |
| <b>Total net assets</b>  | <b>766,104,599</b>    | <b>477,523,562</b>    |
| <b>Total liabilities and net assets</b>  | <b>\$ 918,219,749</b> | <b>\$ 590,998,869</b> |

See notes to consolidated financial statements.

## Step Up For Students, Inc. and Subsidiaries

### Consolidated Statement of Activities

Year Ended June 30, 2021

(With Summarized Comparative Information for June 30, 2020)

|   | 2021                          |                            |                    | Total<br>2020       |
|---|-------------------------------|----------------------------|--------------------|---------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total              |                     |
| Revenues and support:                     |                               |                            |                    |                     |
| Contributions and grants:                 |                               |                            |                    |                     |
| Florida Tax Credit Scholarship Program    | \$ 29,721,083                 | \$ 863,897,446             | \$ 893,618,529     | \$ 545,438,550      |
| Hope Scholarship Program                  | 3,904,945                     | 74,277,247                 | 78,182,192         | 66,843,081          |
| Alabama Tax Credit Scholarship Program    | 165,562                       | 3,138,172                  | 3,303,734          | 3,436,419           |
| Grants and other contributions            | 492,141                       | 12,625,963                 | 13,118,104         | 2,676,133           |
| Other revenue and interest income         | 190,491                       | 17,590                     | 208,081            | 1,640,883           |
| Scholarship service contract revenue      | -                             | -                          | -                  | 910,173             |
| Net assets released from restrictions     | 670,491,883                   | (670,491,883)              | -                  | -                   |
| <b>Total revenues and support</b>         | <b>704,966,105</b>            | <b>283,464,535</b>         | <b>988,430,640</b> | <b>620,945,239</b>  |
| Expenses:                                 |                               |                            |                    |                     |
| Program services:                         |                               |                            |                    |                     |
| Florida Tax Credit Scholarship Program    | 674,219,170                   | -                          | 674,219,170        | 689,211,318         |
| Gardiner Scholarship Program              | 4,615,680                     | -                          | 4,615,680          | 5,828,686           |
| Hope Scholarship Program                  | 3,582,585                     | -                          | 3,582,585          | 1,673,569           |
| Alabama Tax Credit Scholarship Program    | 3,528,348                     | -                          | 3,528,348          | 8,685,259           |
| Communications, Policy and Public Affairs | 1,933,127                     | -                          | 1,933,127          | 1,475,867           |
| Student Learning and Partner Success      | 1,652,137                     | -                          | 1,652,137          | 1,553,199           |
| Family Empowerment Scholarship            | 768,983                       | -                          | 768,983            | 1,388,678           |
| Reading Scholarship Program               | 711,856                       | -                          | 711,856            | 842,349             |
| Advocacy and Civic Engagement             | 57,091                        | -                          | 57,091             | 725,052             |
| Scholarship Service Contract              | -                             | -                          | -                  | 908,501             |
| <b>Total program services</b>             | <b>691,068,977</b>            | <b>-</b>                   | <b>691,068,977</b> | <b>712,292,478</b>  |
| Supporting services:                      |                               |                            |                    |                     |
| General and administrative                | 6,678,379                     | -                          | 6,678,379          | 5,791,531           |
| Development and fundraising               | 2,102,247                     | -                          | 2,102,247          | 2,427,225           |
| <b>Total supporting services</b>          | <b>8,780,626</b>              | <b>-</b>                   | <b>8,780,626</b>   | <b>8,218,756</b>    |
| <b>Total expenses</b>                     | <b>699,849,603</b>            | <b>-</b>                   | <b>699,849,603</b> | <b>720,511,234</b>  |
| <b>Change in net assets</b>               | <b>5,116,502</b>              | <b>283,464,535</b>         | <b>288,581,037</b> | <b>(99,565,995)</b> |
| Net assets:                               |                               |                            |                    |                     |
| Beginning                                 | 13,567,714                    | 463,955,848                | 477,523,562        | 577,089,557         |
| Ending                                    | \$ 18,684,216                 | \$ 747,420,383             | \$ 766,104,599     | \$ 477,523,562      |

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

(With Summarized Comparative Information for June 30, 2020)

|  | 2021  |                                    |                                |   |  |   |                                      |                                   |                                     |                              |
|--|---|------------------------------------|--------------------------------|---|--|---|--------------------------------------|-----------------------------------|-------------------------------------|------------------------------|
|  | Program Services                                |                                    |                                |   |  |   |                                      |                                   |                                     |                              |
|  | Florida<br>Tax Credit<br>Scholarship<br>Program | Gardiner<br>Scholarship<br>Program | Hope<br>Scholarship<br>Program | Alabama<br>Tax Credit<br>Scholarship<br>Program | Communications,<br>Policy and<br>Public<br>Affairs | Student<br>Learning<br>and Partner<br>Success | Family<br>Empowerment<br>Scholarship | Reading<br>Scholarship<br>Program | Advocacy<br>and Civic<br>Engagement | Total<br>Program<br>Services |
| Scholarships and grants                    | \$ 663,766,752                                  | \$ -                               | \$ 2,792,230                   | \$ 3,326,361                                    | \$ -   | \$ -  | \$ -                                 | \$ -                              | \$ -                                | \$ 669,885,343               |
| Salaries and wages                         | 4,504,274                                       | 2,302,947                          | 456,925                        | 63,601  | 937,798  | 1,100,768                                     | 408,241                              | 387,836                           | 28,646                              | 10,191,036                   |
| Payroll taxes and employee benefits        | 1,260,592                                       | 621,737                            | 119,597                        | 8,301   | 230,107  | 289,185                                       | 106,986                              | 107,012                           | 7,479                               | 2,750,996                    |
| Contract services                          | 772,057   | 348,972                            | 21,374                         | 58,766  | 567,088  | 32,898  | 33,781                               | 27,491                            | 325                                 | 1,862,752                    |
| Telephone                                  | 872,247   | 420,388                            | 25,902                         | 1,413   | 9,702  | 14,364  | 58,570                               | 54,072                            | 839                                 | 1,457,497                    |
| Software licenses, fees and subscriptions  | 487,028   | 397,508                            | 15,439                         | 4,158   | 43,695   | 9,697   | 15,611                               | 14,734                            | 2,319                               | 990,189                      |
| Rent                                       | 813,969   | 156,578                            | 23,905                         | (2,639)   | 98   | -   | 9,562                                | 28,686                            | -                                   | 1,030,159                    |
| Depreciation and amortization              | 694,403   | 133,578                            | 20,394                         | 21,326  | -  | -   | 8,157                                | 24,472                            | 13,328                              | 915,658                      |
| Recruiting and advertising                 | 427,379   | 95,378                             | 39,349                         | 450   | 4,013  | -   | 111,942                              | 38,015                            | 20                                  | 716,546                      |
| Other costs                                | 110,372   | 19,921                             | 21,503                         | 1,557   | 72,837   | 162,179                                       | 4,562                                | 5,355                             | 197                                 | 398,483                      |
| Professional fees                          | 8,931   | 2,436                              | 122                            | 43,606  | 39,410   | -   | 414                                  | 135                               | -                                   | 95,054                       |
| Insurance                                  | 227,394   | 43,742                             | 6,678                          | 249   | -  | -   | 2,671                                | 8,014                             | 106                                 | 288,854                      |
| Repairs and maintenance                    | 201,123   | 35,580                             | 5,901                          | 389   | -  | -   | 2,353                                | 7,097                             | -                                   | 252,443                      |
| Bank charges and fees                      | 81,246  | 17,361                             | 30,147                         | -   | -  | -   | 8                                    | 5,679                             | -                                   | 134,441                      |
| Travel, lodging and meals                  | 5,239   | 4,064                              | 323                            | -   | 27,312   | 21,167  | 535                                  | 67                                | 2,947                               | 61,654                       |
| Printing and postage                       | 38,581  | 7,163                              | 1,798                          | 810   | 570  | 1,700   | 4,418                                | 1,970                             | 237                                 | 57,247                       |
| Office expenses                            | 41,679  | 8,327                              | 998                            | -   | 497  | 17,715  | 1,172                                | 1,221                             | 648                                 | 72,257                       |
| Provision for doubtful accounts (recovery) | (94,096)  | -                                  | -                              | -   | -  | 2,464   | -                                    | -                                 | -                                   | (91,632)                     |
| <b>Total</b>                               | <b>\$ 674,219,170</b>                           | <b>\$ 4,615,680</b>                | <b>\$ 3,582,585</b>            | <b>\$ 3,528,348</b>                             | <b>\$ 1,933,127</b>                                | <b>\$ 1,652,137</b>                           | <b>\$ 768,983</b>                    | <b>\$ 711,856</b>                 | <b>\$ 57,091</b>                    | <b>\$ 691,068,977</b>        |

(Continued)

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses (Continued)  
 Year Ended June 30, 2021  
 (With Summarized Comparative Information for June 30, 2020)

|  | 2021                             |                                   |                                 |                       | Total<br>2020<br>Expenses |
|--|----------------------------------|-----------------------------------|---------------------------------|-----------------------|---------------------------|
|  | Supporting Services              |                                   |                                 | Total<br>Expenses     |                           |
|  | General<br>and<br>Administrative | Development<br>and<br>Fundraising | Total<br>Supporting<br>Services |                       |                           |
| Scholarships and grants                    | \$ -                             | \$ -                              | \$ -                            | \$ 669,885,343        | \$ 667,545,702            |
| Salaries and wages                         | 4,593,762                        | 1,445,393                         | 6,039,155                       | 16,230,191            | 18,013,622                |
| Payroll taxes and employee benefits        | 915,405                          | 333,250                           | 1,248,655                       | 3,999,651             | 4,256,189                 |
| Contract services                          | 429,609                          | 34,596                            | 464,205                         | 2,326,957             | 2,041,464                 |
| Telephone                                  | 18,090                           | 20,692                            | 38,782                          | 1,496,279             | 752,308                   |
| Software licenses, fees and subscriptions  | 68,841                           | 58,120                            | 126,961                         | 1,117,150             | 1,594,973                 |
| Rent                                       | 148                              | -                                 | 148                             | 1,030,307             | 1,015,910                 |
| Depreciation and amortization              | 5,332                            | 13,329                            | 18,661                          | 934,319               | 854,014                   |
| Recruiting and advertising                 | 50,853                           | 60,210                            | 111,063                         | 827,609               | 750,587                   |
| Other costs                                | 167,972                          | 25,535                            | 193,507                         | 591,990               | 468,170                   |
| Professional fees                          | 325,285                          | 64,976                            | 390,261                         | 485,315               | 503,868                   |
| Insurance                                  | 626                              | 106                               | 732                             | 289,586               | 291,726                   |
| Repairs and maintenance                    | 97                               | -                                 | 97                              | 252,540               | 272,701                   |
| Bank charges and fees                      | 48,929                           | 3,306                             | 52,235                          | 186,676               | 300,594                   |
| Travel, lodging and meals                  | 38,641                           | 4,688                             | 43,329                          | 104,983               | 556,747                   |
| Printing and postage                       | 3,456                            | 31,693                            | 35,149                          | 92,396                | 274,711                   |
| Office expenses                            | 11,333                           | 6,353                             | 17,686                          | 89,943                | 124,622                   |
| Provision for doubtful accounts (recovery) | -                                | -                                 | -                               | (91,632)              | 20,893,326                |
| <b>Total</b>                               | <b>\$ 6,678,379</b>              | <b>\$ 2,102,247</b>               | <b>\$ 8,780,626</b>             | <b>\$ 699,849,603</b> | <b>\$ 720,511,234</b>     |

See notes to consolidated financial statements.



## Step Up For Students, Inc. and Subsidiaries

### Consolidated Statement of Cash Flows Year Ended June 30, 2021 (With Summarized Comparative Information for June 30, 2020)

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| Cash flows from operating activities:   |                       |                       |
| Change in net assets  | \$ 288,581,037        | \$ (99,565,995)       |
| Adjustments to reconcile change in net assets to net cash provided by operating activities:   |                       |                       |
| Depreciation  | 852,816               | 854,014               |
| Amortization of right-of-use lease assets   | 81,503                | -                     |
| Loss on disposal of property and equipment  | 39,113                | -                     |
| Provision for doubtful accounts (recovery)  | (91,632)              | 20,893,326            |
| Change in operating assets and liabilities:   |                       |                       |
| (Increase) decrease in assets:  |                       |                       |
| Pledges receivable  | (218,622,208)         | 119,289,847           |
| Accounts and grants receivable  | 914,259               | 1,642,275             |
| Prepaid expenses and other assets   | 347,079               | (30,874)              |
| Right-of-use lease assets   | (1,216,729)           | -                     |
| Increase (decrease) in liabilities:   |                       |                       |
| Accounts payable  | 4,771,971             | 126,240               |
| Accrued expenses  | (233,012)             | 981,752               |
| Funds held in trust for students liability  | 32,953,581            | 27,093,797            |
| Right-of-use lease liabilities  | 1,147,303             | -                     |
| <b>Net cash provided by operating activities</b>  | <b>109,525,081</b>    | <b>71,284,382</b>     |
| Cash flows from investing activities:   |                       |                       |
| Purchases of property and equipment   | (4,371,527)           | (986,176)             |
| (Increase) decrease in restricted certificate of deposit  | (51,000)              | 65,000                |
| <b>Net cash used in investing activities</b>  | <b>(4,422,527)</b>    | <b>(921,176)</b>      |
| Cash flows from financing activities:   |                       |                       |
| Repayment of line of credit   | -                     | (35,000,000)          |
| <b>Net cash used in financing activities</b>  | <b>-</b>              | <b>(35,000,000)</b>   |
| <b>Net increase in cash and cash equivalents and funds held in trust for students</b>   | <b>105,102,554</b>    | <b>35,363,206</b>     |
| Cash and cash equivalents and funds held in trust for students:   |                       |                       |
| Beginning   | 181,103,905           | 145,740,699           |
| Ending  | <b>\$ 286,206,459</b> | <b>\$ 181,103,905</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   | \$ 143,976,692        | \$ 71,827,719         |
| Funds held in trust for students  | 142,229,767           | 109,276,186           |
|   | <b>\$ 286,206,459</b> | <b>\$ 181,103,905</b> |
| Supplemental disclosure of cash flow information:   |                       |                       |
| Cash paid during the year for interest  | <b>\$ 11,520</b>      | <b>\$ 29,234</b>      |

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, 2020)

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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 104,165 and 108,370 students in 1,938 and 1,859 private schools across Florida during the 2020 – 2021 and 2019 – 2020 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, 2021 and 2020, Step Up For Students administered the program on behalf of the State of Florida for 17,880 and 14,033 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, 793 and 1,280 children received scholarships to attend private schools for the 2020 – 2021 and 2019 – 2020 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, 90 and 48 children received scholarships to attend private schools for the 2020 – 2021 and 2019 – 2020 school years, respectively.

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, 23 children received scholarships to attend private schools for the 2020 – 2021 school year. There were no scholarships made during the year ended June 30, 2020. Academics+ ceased operations under the Alabama Tax Credit Scholarship Program at December 31, 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. Effective March 31, 2021, AOAF is no longer affiliated to Step Up For Students through common control and management.

## 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, 2020)

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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 2020 – 2021 school year and the 2019 – 2020 school year, qualified students received a maximum scholarship of \$9,197, 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.
- **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.
- **Student Learning and Partner Success:** This program exists to engage, equip, and empower education partners to support student success; while at the same time, upholding the belief that the ultimate responsibility for the education of the student resides with the parent and/or guardian.
- **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, 2020)

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

During the years ended June 30, 2021 and 2020, Step Up For Students distributed approximately \$145 million and \$115.8 million, leaving a balance of approximately \$136.8 million and \$104.5 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 Step Up Voices For Choices, organizes advocates and supporters who believe children should be educated based on how they learn, rather than where they live. This includes parents and students who utilize scholarships as well as district, charter, magnet, home and virtual schools. The Step Up Voices For Choices 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 had 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 had 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. 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, 2020)

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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. For the 2020 – 2021 school year and the 2019 – 2020 school year, qualified students received a maximum scholarship of \$9,197. Through the Hope Scholarship Program, 493 and 455 students received scholarships for the 2020 – 2021 school year and the 2019 – 2020 school year, respectively. During the years ended June 30, 2021 and 2020, Step Up For Students collected \$78,182,192 and \$66,843,081, respectively, of eligible contributions. Step Up For Students expended \$2,792,230 and \$806,456 for scholarships during the years ended June 30, 2021 and 2020, 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, 4,960 and 6,783 students received scholarships for the 2020 – 2021 school year and the 2019 – 2020 school year, respectively.

During the years ended June 30, 2021 and 2020, Step Up For Students distributed approximately \$1.9 and \$1.3 million, leaving a balance of approximately \$5.5 and \$4.8 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.

- **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 29,853 K-12 students and 18,000 K-12 students for the 2020 – 2021 and 2019 — 2020 school years, 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, 2020)

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

**Administrative fee for management of Florida Scholarship Programs:** In accordance with the provisions of the Florida Statutes, 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, Step Up For Students receives 1% in administrative fees.

During the years ended June 30, 2021 and 2020, total scholarships awarded to students was 180,898 and 176,352, which resulted in \$33,626,028 and \$35,182,186, respectively, 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 was affiliated to Step Up For Students through common control and management through March 30, 2021. 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, 2020, 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.

**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.

## 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, 2020)

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

**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, 2021 and 2020.

**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 \$220,734 and \$314,830 was considered necessary at June 30, 2021 and 2020, 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 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, 2020)

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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, 2021 and 2020.

**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, 2021 and 2020:

|                              | 2021                  | 2020                  |
|------------------------------|-----------------------|-----------------------|
| Gardiner Scholarship Program | \$ 136,757,928        | \$ 104,456,099        |
| Reading Scholarship Program  | 5,471,839             | 4,820,087             |
|                              | <u>\$ 142,229,767</u> | <u>\$ 109,276,186</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, 2020)

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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.

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, 2018.

**Recent accounting pronouncements:** In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU will require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The ASU will also require enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 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 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 May 2014, the FASB issued 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. On July 1, 2020, the Organization adopted ASU 2014-09 under the modified retrospective approach which allows the cumulative effect to be recognized as of the date of initial application. The Organization has determined that the adoption of ASU 2014-09 did not result in an adjustment to net assets and did not have a significant effect on the amount and timing of revenue recognition for the year ended June 30, 2021.

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. This ASU is effective for fiscal years beginning after December 15, 2021, and can be applied either retrospectively to all periods presented or prospectively. The Organization has elected to early adopt this ASU and accordingly, a right-of-use lease assets and a right-of-use lease liabilities have been recognized in the consolidated statement of financial position.

**Subsequent events:** Management has assessed subsequent events through December 28, 2021, the date the consolidated financial statements were available to be issued.

## 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, 2020)

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

**Florida Tax Credit Scholarship Program and Scholarships Awarded** – In accordance with the provisions of the Florida Statutes, Scholarship Funding Organizations can receive an administrative fee not to exceed 3% of scholarships awarded for the management of all Florida Scholarship Programs (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 \$651,549,789 and \$658,496,253 for scholarships during the years ended June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, Step Up For Students received transferred funds from another SFO amounting to \$10,256,800 and \$4,886,275, respectively, in which Step Up For Students claimed \$0 in administrative allowance during the years ended June 30, 2021 and 2020.

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 2020 – 2021 school year and 2019 – 2020 school year could not exceed \$9,197. As of the 2020 – 2021 school year, scholarship payments were made to the schools after parent approval via ACH in quarterly installments. For the 2019 – 2020 school year, the first three quarterly scholarship payments were issued via check, which were payable to the student's parent or guardian and the private school. Step Up For Students received a waiver from the Florida Department of Education to waive parent approval and endorsement of payment for the final scholarship payment for 2019 – 2020 school year and those payments were paid via ACH due to COVID-19. No waiver was granted for the 2020 – 2021 school year and all quarterly scholarship payments were made via ACH after parent approval. For the Florida Tax Credit Scholarship Program, schools continue to verify student attendance and that the students' parents or guardians have complied with their responsibilities under the program.

**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, 2021, the Alabama Opportunity Scholarship Fund collected \$2,942,434 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$147,122 and expended \$2,681,854 for scholarships during the year ended June 30, 2021. 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.

## 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, 2020)

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

During the year ended June 30, 2021, C2 collected \$353,536 of eligible contributions. C2 claimed an administrative allowance of \$17,677 and expended \$554,804 for scholarships during the year ended June 30, 2021. 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, 2021, Academics+ collected \$15,264 of eligible contributions. Academics+ claimed an administrative allowance of \$763 and expended \$89,703 for scholarships during the year ended June 30, 2021. 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:

|                               | 2021                | 2020                |
|-------------------------------|---------------------|---------------------|
| Furniture and equipment       | \$ 941,272          | \$ 1,383,067        |
| Software                      | 8,312,410           | 4,159,525           |
| Leasehold improvements        | 47,544              | 47,544              |
|                               | <u>9,301,226</u>    | <u>5,590,136</u>    |
| Less accumulated depreciation | (2,793,362)         | (2,561,870)         |
|                               | <u>\$ 6,507,864</u> | <u>\$ 3,028,266</u> |

In 2021, Step Up For Students had an increase in Software, which is the result of the Organization's investment in a new software platform to better serve our scholarship students and families. The platform will contain student accounts and will be the platform on which payments to schools, providers, and parents will be recorded. This will be cloud-based, which will allow Step Up For Students to better manage future growth in programs, while enhancing the student/family experience and supporting schools and providers. The new platform will have an artificial intelligence component and workflows to provide a more modern, faster experience for users.

Depreciation expense for the years ended June 30, 2021 and 2020, was \$852,816 and \$854,014, 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, 2020)

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#### 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% (1.13% at June 30, 2021). Interest on the line of credit is payable monthly and matures on September 26, 2022. 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, 2021 and 2020.

#### Note 5. Net Assets

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

|              | 2021          | 2020          |
|--------------|---------------|---------------|
| Undesignated | \$ 18,684,216 | \$ 13,567,714 |

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

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| Florida Tax Credit Scholarship Program    | \$ 569,597,455        | \$ 357,139,958        |
| Hope Scholarship                          | 175,176,200           | 103,689,337           |
| Alabama Tax Credit Scholarship Program    | 2,489,372             | 2,709,932             |
| Communications, Policy and Public Affairs | 157,356               | 416,621               |
|   | <u>\$ 747,420,383</u> | <u>\$ 463,955,848</u> |

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

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| Florida Tax Credit Scholarship Program    | \$ 663,672,656        | \$ 679,082,410        |
| Hope Scholarship                          | 2,792,230             | 806,456               |
| Alabama Tax Credit Scholarship Program    | 3,386,732             | 8,817,978             |
| Communications, Policy and Public Affairs | 640,265               | 1,539,896             |
|   | <u>\$ 670,491,883</u> | <u>\$ 690,246,740</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, 2020)

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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 February 2026. Rent expense for the years ended June 30, 2021 and 2020, was \$1,030,307 and \$1,015,910, respectively.

During 2021, the Organization adopted ASU 2016-02, *Leases* (Topic 842), resulting in a right-of-use lease liabilities and a right-of-use lease assets recorded in the consolidated statement of financial position as of June 30, 2021 for all of the aforementioned leases. The leases are considered to be operating leases under the provision of ASU 2016-02. The interest rate used to discount the future minimum payments of the leases as of June 30, 2021 was 3.85%.

The right-to-use lease liabilities and its maturity analysis are summarized as follows as of June 30, 2021:

|   |                     |
|---|---------------------|
| Years ending June 30:                   |                     |
| 2022                                    | \$ 430,115          |
| 2023                                    | 238,381             |
| 2024                                    | 240,818             |
| 2025                                    | 225,631             |
| 2026                                    | 95,323              |
| Total minimum payments required         | <u>1,230,268</u>    |
| Less amounts representing interest      | <u>(82,965)</u>     |
| Present value of minimums lease payment | <u>\$ 1,147,303</u> |

Future minimum lease payments, excluding any renewal terms which have not yet been exercised, are summarized as follows as of June 30, 2021:

|                       |                     |
|-----------------------|---------------------|
| Years ending June 30: |                     |
| 2022                  | \$ 430,115          |
| 2023                  | 238,381             |
| 2024                  | 240,818             |
| 2025                  | 225,631             |
| 2026                  | 95,323              |
|                       | <u>\$ 1,230,268</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, 2020)

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

As of June 30, 2021 and 2020, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, within one year of June 30, 2021 and 2020.

|  | 2021                 | 2020                 |
|--|----------------------|----------------------|
| Financial assets, at year-end  |                      |                      |
| Cash and cash equivalents  | \$ 143,976,692       | \$ 71,827,719        |
| Pledges receivable, net  | 621,135,859          | 402,513,651          |
| Accounts and grants receivable, net  | 2,575,907            | 3,398,534            |
| Less those unavailable for general expenditures within one year, due to:               |                      |                      |
| Contractual or donor-imposed restrictions:   |                      |                      |
| Restricted by donors with purpose restrictions   | (747,420,383)        | (463,955,848)        |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 20,268,075</u> | <u>\$ 13,784,056</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 at least a 5% reserve of the funds received. The purpose of that reserve is to accommodate for timing differences and potential rescindments by donors. 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.

The Company 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 short-term operating liquidity.

During the year ended June 30, 2021, the Organization had approximately \$5.5 million outstanding in scholarship commitments for 1,862 scholarship recipients. The scholarship commitments have been recorded as scholarship expense and included in accounts payable at June 30, 2021. During the years ended June 30, 2021 and 2020, all scholarships were paid from donations received and the Organization carried forwarded approximately \$83 million and \$16 million of scholarship funds, respectively, for future 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, 2020)

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#### Note 8. Major Donors

*Step Up For Students:* Contributions from one major donor accounted for approximately 18.9% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2021. At June 30, 2021, approximately 26.5% of pledges receivable are due from this major donor and an additional two donors account for approximately 24.6% of pledges receivable. 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.

*Alabama Opportunity Scholarship Fund:* Contributions from one major donor accounted for approximately 10.2% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2021. 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.

*C2:* Contributions from one major donor accounted for approximately 14.2% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2021. 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.

*Academics+:* Contributions from four major donors accounted for approximately 90.3% of contributions and grants – Alabama Tax Credit Scholarship Program during the year ended June 30, 2021. 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, 2021 and 2020, were \$580,172 and \$760,230, respectively, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

#### 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, 2021

|  | Step Up For<br>Students, Inc. | Alabama<br>Opportunity<br>Scholarship<br>Fund, LLC | C2<br>Opportunity<br>Scholarships, LLC | Academics+<br>Opportunity<br>Scholarship<br>Fund, LLC | Alabama<br>Opportunity<br>Action<br>Fund | Consolidated          |
|--|-------------------------------|--|--|---|--|-----------------------|
| <b>Assets</b>  |                               |  |  |   |  |                       |
| Current assets:  |                               |  |  |   |  |                       |
| Cash and cash equivalents                              | \$ 141,367,476                | \$ 2,317,489                                       | \$ 291,727                             | \$ -  | \$ -                                     | \$ 143,976,692        |
| Pledges receivable, net                                | 621,135,859                   | -  | -                                      | -   | -  | 621,135,859           |
| Accounts and grants receivable, net                    | 2,571,450                     | 4,457  | -                                      | -   | -  | 2,575,907             |
| Prepaid expenses and other assets                      | 542,434                       | -  | -                                      | -   | -  | 542,434               |
| Funds held in trust for students                       | 142,229,767                   | -  | -                                      | -   | -  | 142,229,767           |
| <b>Total current assets</b>                            | <b>907,846,986</b>            | <b>2,321,946</b>                                   | <b>291,727</b>                         | <b>-</b>  | <b>-</b>                                 | <b>910,460,659</b>    |
| Restricted certificate of deposit                      | 116,000                       | -  | -                                      | -   | -  | 116,000               |
| Right-of-use lease assets, net                         | 1,135,226                     | -  | -                                      | -   | -  | 1,135,226             |
| Property and equipment, net                            | 6,314,883                     | 192,981  | -                                      | -   | -  | 6,507,864             |
| <b>Total assets</b>                                    | <b>\$ 915,413,095</b>         | <b>\$ 2,514,927</b>                                | <b>\$ 291,727</b>                      | <b>\$ -</b>   | <b>\$ -</b>                              | <b>\$ 918,219,749</b> |
| <b>Liabilities and Net Assets</b>                      |                               |  |  |   |  |                       |
| Current liabilities:                                   |                               |  |  |   |  |                       |
| Accounts payable                                       | \$ 5,726,903                  | \$ -   | \$ -                                   | \$ -  | \$ -                                     | \$ 5,726,903          |
| Accrued expenses                                       | 2,986,577                     | 19,000   | 5,600                                  | -   | -  | 3,011,177             |
| Funds held in trust for students liability             | 142,229,767                   | -  | -                                      | -   | -  | 142,229,767           |
| Current portion of right-of-use lease obligations      | 396,023                       | -  | -                                      | -   | -  | 396,023               |
| <b>Total current liabilities</b>                       | <b>151,339,270</b>            | <b>19,000</b>                                      | <b>5,600</b>                           | <b>-</b>  | <b>-</b>                                 | <b>151,363,870</b>    |
| Right-of-use lease obligations, net of current portion | 751,280                       | -  | -                                      | -   | -  | 751,280               |
| <b>Total liabilities</b>                               | <b>152,090,550</b>            | <b>19,000</b>                                      | <b>5,600</b>                           | <b>-</b>  | <b>-</b>                                 | <b>152,115,150</b>    |
| Net assets:  |                               |  |  |   |  |                       |
| Without donor restrictions                             | 18,391,534                    | 265,699  | 26,983                                 | -   | -  | 18,684,216            |
| With donor restrictions                                | 744,931,011                   | 2,230,228  | 259,144                                | -   | -  | 747,420,383           |
| <b>Total net assets</b>                                | <b>763,322,545</b>            | <b>2,495,927</b>                                   | <b>286,127</b>                         | <b>-</b>  | <b>-</b>                                 | <b>766,104,599</b>    |
| <b>Total liabilities and net assets</b>                | <b>\$ 915,413,095</b>         | <b>\$ 2,514,927</b>                                | <b>\$ 291,727</b>                      | <b>\$ -</b>   | <b>\$ -</b>                              | <b>\$ 918,219,749</b> |



## Step Up For Students, Inc. and Subsidiaries

### Consolidating Statement of Activities Year Ended June 30, 2021

|   | Step Up For Students, Inc.    |                            |                    | Alabama Opportunity Scholarship Fund, LLC |                            |                  |
|---|-------------------------------|----------------------------|--------------------|---|----------------------------|------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total              | Without Donor<br>Restrictions             | With Donor<br>Restrictions | Total            |
| Revenues and support:                     |                               |                            |                    |   |                            |                  |
| Contributions and grants:                 |                               |                            |                    |   |                            |                  |
| Florida Tax Credit Scholarship Program    | \$ 29,721,083                 | \$ 863,897,446             | \$ 893,618,529     | \$ -                                      | \$ -                       | \$ -             |
| Hope Scholarship Program                  | 3,904,945                     | 74,277,247                 | 78,182,192         | -   | -                          | -                |
| Alabama Tax Credit Scholarship Program    | -                             | -                          | -                  | 147,122                                   | 2,795,312                  | 2,942,434        |
| Grants and other contributions            | 463,690                       | 12,597,963                 | 13,061,653         | 3,451                                     | 28,000                     | 31,451           |
| Other revenue and interest income         | 188,991                       | 17,590                     | 206,581            | 1,500                                     | -                          | 1,500            |
| Net assets released from restrictions     | 666,976,617                   | (666,976,617)              | -                  | 2,737,195                                 | (2,737,195)                | -                |
| <b>Total revenues and support</b>         | <b>701,255,326</b>            | <b>283,813,629</b>         | <b>985,068,955</b> | <b>2,889,268</b>                          | <b>86,117</b>              | <b>2,975,385</b> |
| Expenses:                                 |                               |                            |                    |   |                            |                  |
| Program services:                         |                               |                            |                    |   |                            |                  |
| Florida Tax Credit Scholarship Program    | 674,219,170                   | -                          | 674,219,170        | -   | -                          | -                |
| Gardiner Scholarship Program              | 4,615,680                     | -                          | 4,615,680          | -   | -                          | -                |
| Hope Scholarship Program                  | 3,582,585                     | -                          | 3,582,585          | -   | -                          | -                |
| Alabama Tax Credit Scholarship Program    | -                             | -                          | -                  | 2,894,627                                 | -                          | 2,894,627        |
| Communications, Policy and Public Affairs | 1,804,593                     | -                          | 1,804,593          | -   | -                          | -                |
| Student Learning and Partner Success      | 1,652,137                     | -                          | 1,652,137          | -   | -                          | -                |
| Family Empowerment Scholarship            | 768,983                       | -                          | 768,983            | -   | -                          | -                |
| Reading Scholarship Program               | 711,856                       | -                          | 711,856            | -   | -                          | -                |
| Advocacy and Civic Engagement             | 45,416                        | -                          | 45,416             | 11,350                                    | -                          | 11,350           |
| <b>Total program services</b>             | <b>687,400,420</b>            | <b>-</b>                   | <b>687,400,420</b> | <b>2,905,977</b>                          | <b>-</b>                   | <b>2,905,977</b> |
| Supporting services:                      |                               |                            |                    |   |                            |                  |
| General and administrative                | 6,615,921                     | -                          | 6,615,921          | 42,210                                    | -                          | 42,210           |
| Development and fundraising               | 2,085,388                     | -                          | 2,085,388          | 16,018                                    | -                          | 16,018           |
| <b>Total supporting services</b>          | <b>8,701,309</b>              | <b>-</b>                   | <b>8,701,309</b>   | <b>58,228</b>                             | <b>-</b>                   | <b>58,228</b>    |
| <b>Total expenses</b>                     | <b>696,101,729</b>            | <b>-</b>                   | <b>696,101,729</b> | <b>2,964,205</b>                          | <b>-</b>                   | <b>2,964,205</b> |
| <b>Change in net assets</b>               | <b>5,153,597</b>              | <b>283,813,629</b>         | <b>288,967,226</b> | <b>(74,937)</b>                           | <b>86,117</b>              | <b>11,180</b>    |
| Net assets:                               |                               |                            |                    |   |                            |                  |
| Beginning                                 | 13,237,937                    | 461,117,382                | 474,355,319        | 340,636                                   | 2,144,111                  | 2,484,747        |
| Ending                                    | \$ 18,391,534                 | \$ 744,931,011             | \$ 763,322,545     | \$ 265,699                                | \$ 2,230,228               | \$ 2,495,927     |

## Step Up For Students, Inc. and Subsidiaries

### Consolidating Statement of Activities (Continued) Year Ended June 30, 2021

|   | C2 Opportunity Scholarships, LLC |                         |                  | Academics+ Opportunity Scholarship Fund, LLC |                         |                 | Alabama Opportunity Action Fund |                         |                  | Consolidated       |
|---|----------------------------------|-------------------------|------------------|--|-------------------------|-----------------|---------------------------------|-------------------------|------------------|--------------------|
|   | Without Donor Restrictions       | With Donor Restrictions | Total            | 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    | \$ -                             | \$ -                    | \$ -             | \$ -   | \$ -                    | \$ -            | \$ -                            | \$ -                    | \$ -             | \$ 893,618,529     |
| Hope Scholarship Program                  | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 78,182,192         |
| Alabama Tax Credit Scholarship Program    | 17,677                           | 333,359                 | 351,036          | 763  | 9,501                   | 10,264          | -                               | -                       | -                | 3,303,734          |
| Grants and other contributions            | 25,000                           | -                       | 25,000           | -  | -                       | -               | -                               | -                       | -                | 13,118,104         |
| Other revenue and interest income         | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 208,081            |
| Net assets released from restrictions     | 559,804                          | (559,804)               | -                | 89,733                                       | (89,733)                | -               | 128,534                         | (128,534)               | -                | -                  |
| <b>Total revenues and support</b>         | <b>602,481</b>                   | <b>(226,445)</b>        | <b>376,036</b>   | <b>90,496</b>                                | <b>(80,232)</b>         | <b>10,264</b>   | <b>128,534</b>                  | <b>(128,534)</b>        | <b>-</b>         | <b>988,430,640</b> |
| Expenses:                                 |                                  |                         |                  |  |                         |                 |                                 |                         |                  |                    |
| Program services:                         |                                  |                         |                  |  |                         |                 |                                 |                         |                  |                    |
| Florida Tax Credit Scholarship Program    | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 674,219,170        |
| Gardiner Scholarship Program              | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 4,615,680          |
| Hope Scholarship Program                  | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 3,582,585          |
| Alabama Tax Credit Scholarship Program    | 544,056                          | -                       | 544,056          | 89,665                                       | -                       | 89,665          | -                               | -                       | -                | 3,528,348          |
| Communications, Policy and Public Affairs | -                                | -                       | -                | -  | -                       | -               | 128,534                         | -                       | 128,534          | 1,933,127          |
| Student Learning and Partner Success      | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 1,652,137          |
| Family Empowerment Scholarship            | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 768,983            |
| Reading Scholarship Program               | -                                | -                       | -                | -  | -                       | -               | -                               | -                       | -                | 711,856            |
| Advocacy and Civic Engagement             | 325                              | -                       | 325              | -  | -                       | -               | -                               | -                       | -                | 57,091             |
| <b>Total program services</b>             | <b>544,381</b>                   | <b>-</b>                | <b>544,381</b>   | <b>89,665</b>                                | <b>-</b>                | <b>89,665</b>   | <b>128,534</b>                  | <b>-</b>                | <b>128,534</b>   | <b>691,068,977</b> |
| Supporting services:                      |                                  |                         |                  |  |                         |                 |                                 |                         |                  |                    |
| General and administrative                | 15,640                           | -                       | 15,640           | 4,608  | -                       | 4,608           | -                               | -                       | -                | 6,678,379          |
| Development and fundraising               | 37                               | -                       | 37               | 804  | -                       | 804             | -                               | -                       | -                | 2,102,247          |
| <b>Total supporting services</b>          | <b>15,677</b>                    | <b>-</b>                | <b>15,677</b>    | <b>5,412</b>                                 | <b>-</b>                | <b>5,412</b>    | <b>-</b>                        | <b>-</b>                | <b>-</b>         | <b>8,780,626</b>   |
| <b>Total expenses</b>                     | <b>560,058</b>                   | <b>-</b>                | <b>560,058</b>   | <b>95,077</b>                                | <b>-</b>                | <b>95,077</b>   | <b>128,534</b>                  | <b>-</b>                | <b>128,534</b>   | <b>699,849,603</b> |
| <b>Change in net assets</b>               | <b>42,423</b>                    | <b>(226,445)</b>        | <b>(184,022)</b> | <b>(4,581)</b>                               | <b>(80,232)</b>         | <b>(84,813)</b> | <b>-</b>                        | <b>(128,534)</b>        | <b>(128,534)</b> | <b>288,581,037</b> |
| Net assets:                               |                                  |                         |                  |  |                         |                 |                                 |                         |                  |                    |
| Beginning                                 | (15,440)                         | 485,589                 | 470,149          | 4,581  | 80,232                  | 84,813          | -                               | 128,534                 | 128,534          | 477,523,562        |
| Ending                                    | \$ 26,983                        | \$ 259,144              | \$ 286,127       | \$ -   | \$ -                    | \$ -            | \$ -                            | \$ -                    | \$ -             | \$ 766,104,599     |

Step Up For Students, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended June 30, 2021

| Grantor/Pass-Through Grantor/Program Title                                 | Assistance Listing Number | Contract/Grant Number | Amounts Provided to Subrecipients | Federal Expenditures  |
|--|---------------------------|-----------------------|-----------------------------------|-----------------------|
| <b>Federal Awards:</b>   |                           |                       |                                   |                       |
| U.S. Department of Education:  |                           |                       |                                   |                       |
| Passed-through the following:  |                           |                       |                                   |                       |
| Florida Department of Education:   |                           |                       |                                   |                       |
| Education Stabilization Funds – Governor’s Emergency                       |                           |                       |                                   |                       |
| Education Relief (GEER) Fund   |                           |                       |                                   |                       |
|  | 84.425C                   | 92X-1230A-1D001       | \$ 12,216,963                     | \$ 12,339,134         |
| <b>Total expenditures of federal awards</b>                                |                           |                       | <b>\$ 12,216,963</b>              | <b>\$ 12,339,134</b>  |
| <br>   |                           |                       |                                   |                       |
| Grantor/Pass-Through Grantor/Program Title                                 | State CSFA Number         | Contract/Grant Number | Amounts Provided to Subrecipients | State Expenditures    |
| <b>State Financial Assistance:</b>   |                           |                       |                                   |                       |
| Florida Department of Education and Commissioner of Education:             |                           |                       |                                   |                       |
| Direct programs:   |                           |                       |                                   |                       |
| Gardiner Scholarship Program   |                           |                       |                                   |                       |
|  | 48.113                    | 92X-90025-1D001       | \$ -                              | \$ 144,955,495        |
| Reading Scholarship Accounts Program                                       |                           |                       |                                   |                       |
|  | 48.157                    | 92X-90550-1D001       | -                                 | 1,894,634             |
| <b>Total expenditures of state financial assistance</b>                    |                           |                       | <b>\$ -</b>                       | <b>\$ 146,850,129</b> |
| <b>Total expenditures of federal awards and state financial assistance</b> |                           |                       | <b>\$ 12,216,963</b>              | <b>\$ 159,189,263</b> |

See notes to schedule of expenditures of federal awards and state financial assistance.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2021

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

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award and state financial assistance project activity of Step Up For Students, Inc. and its subsidiaries (the Organization), under programs of the federal government and the State of Florida for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and 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 contained in the Uniform Guidance and 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 \$144,955,495.

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 \$1,894,634.

#### **Note 3. Indirect Cost Rate**

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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, 2021, 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 (collectively, the financial statements), and have issued our report thereon dated December 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the 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 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 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Orlando, Florida  
December 28, 2021

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project  
and Report on Internal Control Over Compliance Required by the Uniform Guidance  
and 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 Each Major Federal Program and 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 *OMB Compliance Supplement* and in the State of Florida's *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state financial assistance projects for the year ended June 30, 2021. The Organization's major federal programs and state financial assistance projects are 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 federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state financial assistance projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state financial assistance projects 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; the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Florida Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Those standards, the Uniform Guidance and Chapter 10.650, 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 federal program or 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 each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on Each Major Federal Program and 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 each of its major federal programs and state financial assistance projects for the year ended June 30, 2021.

## **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 each major federal program and 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 each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, 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 federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or 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 federal program or 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 Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Orlando, Florida  
December 28, 2021



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

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021**

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

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

**Federal Awards**

Internal control over major program:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        X   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 2 CFR 200.516(a)?

\_\_\_\_\_ Yes        X   No

Identification of major federal program:

**Assistance Listing Number(s)**

84.425C

**Name of Federal Program or Cluster**

Education Stabilization Funds – Governor's  
Emergency Education Relief (GEER) Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes        X   No

(Continued)

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

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2021**

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**I. Summary of Auditor's Results (Continued)**

**State Financial Assistance**

Internal control over major program:

Material weakness(es) identified?

\_\_\_\_\_ Yes         X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes         X   None Reported

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

\_\_\_\_\_ Unmodified

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Any audit findings disclosed that are required  
to be reported in accordance with State of Florida  
Chapter 10.650, *Rules of the Auditor General*?

\_\_\_\_\_ Yes         X   No

Identification of major program:

**CSFA Number(s)**

48.113

**Name of State Financial Assistance Project**

Gardiner Scholarship Program

Dollar threshold used to distinguish between type  
A and type B state financial assistance projects:

    \$    4,405,504    

**II. Financial Statement Findings**

No matters to report.

**III. Findings and Questioned Costs for Federal Awards and 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.
2. No Corrective Action Plan is presented because there were no findings required to be reported under the Federal Single Audit Act or the Florida Single Audit Act.
3. There was no management letter or control deficiency letter issued for the year ended June 30, 2021, as there were no matters required to be reported in these letters.