

Step Up For Students, Inc. and Subsidiaries

Consolidated Financial Report
June 30, 2023

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RSM US LLP

Independent Auditor's Report

Board of Directors
Step Up For Students, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2023, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance, as required by the 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 supplementary 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 November 7, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
November 7, 2023

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2023

(With Summarized Comparative Information as of June 30, 2022)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 612,225,605	\$ 394,879,363
Pledges receivable, less allowance for uncollectible pledges of \$22,000,000 and \$18,000,000 in 2023 and 2022, respectively	553,897,108	606,074,982
Accounts and grants receivable, less allowance for uncollectible accounts of \$936,707 and \$423,052 in 2023 and 2022, respectively	6,427,241	5,631,960
Prepaid expenses and other assets	1,215,071	1,003,180
Funds held in trust for students	332,647,878	191,053,539
Total current assets	1,506,412,903	1,198,643,024
Restricted certificate of deposit	116,000	116,000
Right-of-use lease assets	1,682,270	2,150,750
Property and equipment, net	14,277,664	8,339,573
Total assets	\$ 1,522,488,837	\$ 1,209,249,347
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 51,346,658	\$ 36,199,570
Accrued expenses	5,208,250	4,179,714
Funds held in trust for students liability	332,647,878	191,053,539
Current portion of right-of-use lease liabilities	503,804	603,514
Total current liabilities	389,706,590	232,036,337
Right-of-use lease liabilities, net of current portion	1,217,512	1,567,089
Total liabilities	390,924,102	233,603,426
Commitments (Note 6)		
Net assets:		
Without donor restrictions	27,354,582	19,224,460
With donor restrictions	1,104,210,153	956,421,461
Total net assets	1,131,564,735	975,645,921
Total liabilities and net assets	\$ 1,522,488,837	\$ 1,209,249,347

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2023

(With Summarized Comparative Information for the Year Ended June 30, 2022)

	2023			Total 2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions and grants:				
Florida Tax Credit Scholarship Program	\$ 48,061,202	\$ 768,086,280	\$ 816,147,482	\$ 737,933,240
Hope Scholarship Program	6,293,690	73,461,012	79,754,702	79,086,962
Alabama Tax Credit Scholarship Program	-	-	-	1,578,253
Grants and other contributions	537,022	-	537,022	3,191,674
Other revenue and interest income	309,146	16,331,285	16,640,431	445,589
Scholarship service contract revenue	1,086,504	-	1,086,504	881,903
Net assets released from restrictions	710,089,885	(710,089,885)	-	-
Total revenues and support	766,377,449	147,788,692	914,166,141	823,117,621
Expenses:				
Program services:				
Florida Tax Credit Scholarship Program	717,171,898	-	717,171,898	580,528,636
Family Empowerment Scholarship Program	15,812,721	-	15,812,721	10,712,524
Hope Scholarship Program	6,134,780	-	6,134,780	4,758,604
Policy, Strategic Communications, Legislative Affairs and Advocacy	5,547,724	-	5,547,724	3,339,934
New Worlds Reading Scholarship Accounts Program	928,631	-	928,631	574,550
Scholarship Service Contract	597,628	-	597,628	412,320
Alabama Tax Credit Scholarship Program	-	-	-	4,360,307
Total program services	746,193,382	-	746,193,382	604,686,875
Supporting services:				
General and administrative	10,232,054	-	10,232,054	7,541,258
Development and fundraising	1,821,891	-	1,821,891	1,348,166
Total supporting services	12,053,945	-	12,053,945	8,889,424
Total expenses	758,247,327	-	758,247,327	613,576,299
Change in net assets	8,130,122	147,788,692	155,918,814	209,541,322
Net assets:				
Beginning	19,224,460	956,421,461	975,645,921	766,104,599
Ending	\$ 27,354,582	\$ 1,104,210,153	\$ 1,131,564,735	\$ 975,645,921

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

(With Summarized Comparative Information for the Year Ended June 30, 2022)

	2023						
	Program Services						
	Florida Tax Credit Scholarship Program	Family Empowerment Scholarship Program	Hope Scholarship Program	Policy, Strategic Communications, Legislative Affairs and Advocacy	New Worlds Reading Scholarship Accounts Program	Scholarship Service Contract	Total Program Services
Scholarships and grants	\$ 695,626,649	\$ -	\$ 5,619,735	\$ -	\$ -	\$ -	\$ 701,246,384
Salaries and wages	4,898,427	6,177,240	183,889	2,418,234	385,559	57,762	14,121,111
Provision for doubtful accounts	8,982,448	-	-	-	-	-	8,982,448
Contract services	1,403,351	5,022,472	133,329	582,200	227,379	382,840	7,751,571
Payroll taxes and employee benefits	1,308,075	1,595,381	42,918	569,395	102,408	14,441	3,632,618
Recruiting and advertising	201,365	302,324	4,410	1,597,030	2,719	6,884	2,114,732
Software licenses, fees and subscriptions	1,395,551	372,884	20,625	212,905	27,401	268	2,029,634
Repairs and maintenance	1,124,339	294,654	18,823	-	27,746	97,159	1,562,721
Depreciation and amortization	1,073,051	280,682	17,961	-	26,376	-	1,398,070
Other costs	97,673	856,731	9,269	33,148	70,996	16,378	1,084,195
Telephone	260,845	617,875	47,843	36	30,205	12,177	968,981
Rent	307,017	80,308	5,139	-	7,546	-	400,010
Travel, lodging and meals	66,403	54,222	1,140	72,856	3,254	862	198,737
Insurance	254,960	66,691	4,267	-	6,267	-	332,185
Professional fees	7,204	1,884	121	125	177	-	9,511
Bank charges and fees	92,798	53,433	23,336	-	7,173	8,694	185,434
Printing and postage	27,680	16,181	1,212	40,174	1,459	163	86,869
Office expenses	44,062	19,759	763	21,621	1,966	-	88,171
Contributions	-	-	-	-	-	-	-
Total	\$ 717,171,898	\$ 15,812,721	\$ 6,134,780	\$ 5,547,724	\$ 928,631	\$ 597,628	\$ 746,193,382

(Continued)

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses (Continued)

Year Ended June 30, 2023

(With Summarized Comparative Information for the Year Ended June 30, 2022)

	2023				Total 2022 Expenses
	General and Administrative	Supporting Services Development and Fundraising	Total Supporting Services	Total Expenses	
Scholarships and grants	\$ -	\$ -	\$ -	\$ 701,246,384	\$ 571,985,310
Salaries and wages	6,679,177	996,929	7,676,106	21,797,217	17,945,919
Provision for doubtful accounts	-	-	-	8,982,448	203,108
Contract services	672,919	177,371	850,290	8,601,861	4,584,005
Payroll taxes and employee benefits	1,493,573	227,469	1,721,042	5,353,660	5,053,054
Recruiting and advertising	307,799	41,903	349,702	2,464,434	1,582,388
Software licenses, fees and subscriptions	208,519	62,296	270,815	2,300,449	1,505,535
Repairs and maintenance	74,299	350	74,649	1,637,370	845,042
Depreciation and amortization	40,769	-	40,769	1,438,839	1,065,218
Other costs	119,079	121,334	240,413	1,324,608	570,207
Telephone	10,278	-	10,278	979,259	1,976,053
Rent	53,876	-	53,876	453,886	518,422
Travel, lodging and meals	133,584	79,859	213,443	412,180	245,752
Insurance	47,702	-	47,702	379,887	334,424
Professional fees	310,677	-	310,677	320,188	356,361
Bank charges and fees	49,655	4,613	54,268	239,702	227,723
Printing and postage	14,942	88,373	103,315	190,184	169,429
Office expenses	15,206	21,394	36,600	124,771	79,991
Contributions	-	-	-	-	4,328,358
Total	\$ 10,232,054	\$ 1,821,891	\$ 12,053,945	\$ 758,247,327	\$ 613,576,299

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended June 30, 2023

(With Summarized Comparative Information for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 155,918,814	\$ 209,541,322
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,332,333	958,712
Amortization of right-of-use lease assets	106,506	106,506
Contribution of property and equipment	-	184,253
Provision for doubtful accounts	8,982,448	203,108
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	44,206,841	15,060,877
Accounts and grants receivable	(1,806,696)	(3,259,161)
Prepaid expenses and other assets	(211,891)	(460,746)
Right-of-use lease assets	361,974	(1,122,030)
Increase (decrease) in liabilities:		
Accounts payable	15,147,088	30,472,667
Accrued expenses	1,028,536	1,168,537
Funds held in trust for students liability	141,594,339	48,823,772
Right-of-use lease liabilities	(449,287)	1,023,300
Net cash provided by operating activities	366,211,005	302,701,117
Cash flows from investing activities:		
Purchases of property and equipment	(7,270,424)	(2,974,674)
Net cash used in investing activities	(7,270,424)	(2,974,674)
Net increase in cash and cash equivalents and funds held in trust for students	358,940,581	299,726,443
Cash and cash equivalents and funds held in trust for students:		
Beginning	585,932,902	286,206,459
Ending	\$ 944,873,483	\$ 585,932,902
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	\$ 612,225,605	\$ 394,879,363
Funds held in trust for students	332,647,878	191,053,539
	\$ 944,873,483	\$ 585,932,902
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 10,302	\$ 15,418

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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) (formally known as SUFS Parent, Inc.) is a nonprofit organization incorporated on December 3, 2021. Step Up For Students serves as a parent company offering services to its subsidiaries.

Step Up For Students-Florida, Inc. (SUFS-FL) (formally known as Step Up For Students, Inc.) is a nonprofit organization incorporated on February 18, 2000. SUFS-FL is a Scholarship Funding Organization (SFO) in the State of Florida which allows the organization to administer the Florida Scholarship Programs. SUFS-FL administers the Florida Tax Credit Scholarship Program, Family Empowerment Scholarship Program, Hope Scholarship Program and the New Worlds Reading Scholarship Accounts Program for the State of Florida.

Step Up For Students-West Virginia, Inc. (SUFS-WV) is a nonprofit organization incorporated on December 10, 2021. SUFS-WV was created to support the Hope Scholarship Program in the State of West Virginia under contract with the State of West Virginia's State Treasurer's Office.

The Alabama Opportunity Scholarship Fund, LLC (Alabama Opportunity Scholarship Fund) is a nonprofit limited liability company incorporated on October 4, 2013, whose sole member was SUFS-FL. The Alabama Opportunity Scholarship Fund was established to operate under the standards prescribed by the Alabama Accountability Act of 2013 and is approved under the Alabama Department of Revenue to serve as a Scholarship Granting Organization (SGO). SUFS-FL transferred its membership interest to an unrelated third party on August 31, 2021, which resulted in a contribution in the amount of \$4,033,180 during the year ended June 30, 2022 and is recorded in the accompanying consolidated statement of functional expenses as contributions expense.

The C2 Opportunity Scholarships, LLC (C2) is a nonprofit limited liability company incorporated on November 28, 2018, whose sole member was SUFS-FL. C2 was established to operate under the standards prescribed by the Alabama Accountability Act of 2013 and is approved under the Alabama Department of Revenue to serve as a Scholarship Granting Organization (SGO). SUFS-FL transferred its membership interest to an unrelated third party on August 31, 2021, which resulted in a contribution in the amount of \$295,178 during the year ended June 30, 2022 and is recorded in the accompanying consolidated statement of functional expenses as contributions expense.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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:** SUFS-FL is approved under Florida Statute 1002.395 to serve as a Scholarship Funding Organization (SFO). As an SFO, SUFS-FL 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 2022-2023 school year and the 2021-2022 school year, qualified students received a maximum scholarship of \$10,373 and \$9,979, respectively, to attend a private school that has 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. Through the Florida Tax Credit Scholarship Program, SUFS-FL served 100,198 and 84,490 students in 2,090 and 1,999 private schools across Florida during the 2022-2023 school year and the 2021-2022 school year, respectively.
- **Alabama Tax Credit Scholarship Program:** The Alabama Opportunity Scholarship Fund and C2 were established to operate under standards prescribed in the Alabama Accountability Act of 2013 and are 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 and C2 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 and C2 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 and C2 can solicit and receive corporate and individual donations that entitle the donors to certain tax credits administered by the Alabama Department of Revenue. SUFS-FL transferred its membership interest to an unrelated third party on August 31, 2021, which resulted in a contribution in the amount of \$4,328,358 during the year ended June 30, 2022 and is recorded in the accompanying consolidated statement of functional expenses as contributions expense.
- **Policy, Strategic Communications, Legislative Affairs and Advocacy:** 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 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, other media, and legislative and agency offices. This group also organizes advocates and supporters who believe children should be educated based on how they learn, rather than where they live. This group educates, informs and trains parents to be advocates and supporters for the protection and expansion of choice opportunities. These services are provided to parents of children participating in programs administered by the Organization and may also be provided to parents utilizing other choice options.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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

- **Scholarship Service Contract:** SUFS-WV has contracted with the State of West Virginia's State Treasurer's Office to assist with the administration of the West Virginia Hope Scholarship Program in the State of West Virginia. The West Virginia Hope Scholarship Program offers qualifying K-12 students an opportunity to build an individual learning experience. SUFS-WV has been contracted to provide scholarship administrative services to include processing applications for eligibility and being the fiduciary of the student's scholarship funds, which are used for qualifying educational expenses. For the 2022-2023 school year, 2,463 students received scholarships up to a maximum of \$4,299. SUFS-WV is compensated for its work by receiving reimbursement for implementation costs associated with the scholarship program as well as a service fee from the State of West Virginia's State Treasurer's Office to provide these services.
- **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. SUFS-FL, as an approved 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 2022-2023 school year and the 2021-2022 school year, qualified students received a maximum scholarship of \$10,373 and \$9,979, respectively. Through the Hope Scholarship Program, 871 and 693 students received scholarships for the 2022-2023 school year and the 2021-2022 school year, respectively. During the years ended June 30, 2023 and 2022, SUFS-FL collected \$79,754,702 and \$79,086,962, respectively, of eligible contributions. SUFS-FL expended \$5,619,735 and \$4,307,167 for scholarships during the years ended June 30, 2023 and 2022, 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.
- **New Worlds Reading Scholarship Accounts Program (formally known as the Reading Scholarship Program):** The New Worlds Reading Scholarship Accounts 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. SUFS-FL, as an approved SFO, is authorized to administer the program. The scholarship is available to students in kindergarten 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 New Worlds Reading Scholarship account is established for each child that is awarded a reading scholarship. Through the New Worlds Reading Scholarship Accounts Program, 7,447 and 2,778 students received scholarships for the 2022-2023 school year and the 2021-2022 school year, respectively.

During the years ended June 30, 2023 and 2022, SUFS-FL distributed approximately \$4.8 million and \$1.2 million, respectively, leaving a balance of approximately \$7.2 million and \$5.1 million, respectively, which is recorded in the accompanying consolidated statement of financial position as both an asset and liability. SUFS-FL is acting as an agent for this program, therefore, there are no revenues and expenses reported on the accompanying consolidated statement of activities for scholarship funds received and distributed from the State of Florida.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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

- **Family Empowerment Scholarship Program:** The Family Empowerment Scholarship Program was established by Florida Statute 1002.394, which was created in 2019 to provide children and families in the State of Florida which have limited resources with educational options to achieve success in their education. This scholarship was created to also help reduce the waiting list for the Florida Tax Credit Scholarship Program and similarly services students from low-income and working-class households. Beginning with the 2021-2022 school year, this program was expanded to include two branches, the Family Empowerment Scholarship for Educational Options (FES-EO) and the Family Empowerment Scholarship for Students with Unique Abilities (FES-UA). SUFS-FL, as an approved SFO, administered this scholarship and served 88,584 and 76,959 K-12 students and distributed approximately \$628.6 million and \$523.6 million in scholarships for the 2022-2023 school year and the 2021-2022 school year, respectively, through the FES-EO Program. Through the FES-UA Program, 17,902 and 25,593 eligible students received scholarships for the 2022-2023 school year and the 2021-2022 school year, respectively.

For the 2022-2023 school year and the 2021-2022 school year, FES-EO qualified students received a maximum scholarship of \$10,373 and \$9,979, respectively, to attend a private school that has been approved by the State of Florida or \$750 for transportation to an out-of-district public school. Scholarships are disbursed when a student attends a qualified school.

The Family Empowerment Scholarship for Students with Unique Abilities (formally known as the Gardiner Scholarship Program) was established in 2014 creating scholarships for students with unique abilities. This scholarship is for Florida students in kindergarten through 12th grade with one of the following disabilities: Autism, Cerebral palsy, Down syndrome, intellectual disability, speech impairment, language impairment, orthopedic impairment, behavioral impairment, specific learning disability, Phelan-McDermid syndrome, Prader-Willi syndrome, Spina bifida, Muscular Dystrophy, Williams syndrome, anaphylaxis, visual impairment, traumatic brain injury, hospital or home bound, being a high risk child or identification as dual sensory impaired. 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 public school or be receiving any other state-sponsored scholarships. A FES-UA Scholarship account is established for each child that is awarded a unique abilities 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, technology and college savings accounts.

During the years ended June 30, 2023 and 2022, SUFS-FL distributed approximately \$551.8 million and \$194.8 million, respectively, leaving a balance of approximately \$323.9 million and \$185.9 million, respectively, which is recorded in the accompanying consolidated statement of financial position as both an asset and liability. SUFS-FL is acting as an agent for this program; therefore, there are no revenues and expenses reported on the accompanying consolidated statement of activities for scholarship funds received and distributed from the State of Florida.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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, SUFS-FL can receive an administrative fee to administer the Florida Scholarship Programs. For the Florida Tax Credit Scholarship Program, Hope Scholarship Program and New Worlds Reading Scholarship Accounts Program, SUFS-FL receives 3% of scholarships funded for the 2022-2023 school year and the 2021-2022 school year. SUFS-FL receives 2.5% of scholarships funded to administer the Family Empowerment Scholarship Program for the 2022-2023 school year and the 2021-2022 school year. For the 2022-2023 school year and the 2021-2022 school year, total scholarships funded were 269,972 and 190,666, respectively, which resulted in \$54,354,892 and \$36,646,233 of administrative fees during the years ended June 30, 2023 and 2022, respectively.

This administrative fee was used to manage the Florida Tax Credit Scholarship Program, Hope Scholarship Program, Family Empowerment Scholarship Program and the New Worlds Reading Scholarship Accounts 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 subsidiaries through controlling interests, SUFS-FL, SUFS-WV, Alabama Opportunity Scholarship Fund and C2. All significant intercompany transactions have been eliminated during 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, 2022, from which the summarized information was derived.

Use of estimates: The presentation of consolidated 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 consolidated 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 nonprofit 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 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 are 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 and for the Year Ended June 30, 2022)

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 exclude 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.

The majority of the cash and cash equivalents held by the Organization is intended for disbursement of future scholarships in accordance with the provisions of the Florida Tax Credit Scholarship Program and the Hope Scholarship Program. The following table shows the amount of cash and cash equivalents on hand that has been allocated to cover upcoming costs for scholarships as well as \$294,367 and \$327,537 as of June 30, 2023 and 2022, respectively, for other expenditures and undesignated amounts.

Cash and cash equivalents consisted of the following at June 30:

	2023	2022
Allocated to cover upcoming costs for scholarships and other expenditures	\$ 602,221,504	\$ 386,305,930
Undesignated	10,004,101	8,573,433
	<u>\$ 612,225,605</u>	<u>\$ 394,879,363</u>

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 contributions or intentions to give, that is those with both a measurable performance or other barrier and a right of return or release, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on 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.

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 nonfinancial 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 material contributed services for the years ended June 30, 2023 and 2022.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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

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 \$936,707 and \$423,052 was considered necessary at June 30, 2023 and 2022, 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.

Property and equipment: Property and equipment is 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, 2023 and 2022.

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 Family Empowerment Scholarship for Students with Unique Abilities (FES-UA), the New Worlds Reading Scholarship Accounts Program and the West Virginia Hope Scholarship Program. A FES-UA Scholarship account is established for each child that is awarded a special needs scholarship, a New Worlds Reading Scholarship account is established for each child that is awarded a reading scholarship and a West Virginia Hope Scholarship account is established for each child that is awarded a personal education account scholarship. As parents use these funds in accordance with State of Florida and West Virginia 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, 2023 and 2022:

	2023	2022
FES-UA	\$ 323,873,764	\$ 185,926,066
New Worlds Reading Scholarship Accounts Program	7,206,091	5,127,473
West Virginia Hope Scholarship Program	1,568,023	-
	<u>\$ 332,647,878</u>	<u>\$ 191,053,539</u>

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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

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 and SUFS-WV are in the process of applying for tax exempt status through filing of the Federal Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. SUFS-FL 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 State of Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements. SUFS-FL 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. The Organization would be subject to an excise tax if it spends more than the amounts permitted. Such limits have not been exceeded.

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, 2019.

Leases: The Organization has operating leases for certain office equipment and office space. The Organization determines if an arrangement is a lease at the inception of a contract. Lease assets and lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. To determine the present value of lease payments, the Organization uses the incremental borrowing rate, as determined through an analysis of its prospective borrowing rate on new loans, which is aligned with the lease term at the lease commencement date. Operating lease expense is recognized on a straight-line basis over the lease term.

Right-of-use (ROU) lease assets represent the Organization's right to use an underlying asset during the lease term and ROU lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU lease assets and ROU lease liabilities are reflected in the consolidated statement of financial position, see Note 6.

The Organization's office space lease includes one option to renew, the exercise of such lease renewal option is at the Organization's sole discretion. The renewal term is included in the ROU lease liabilities only when it is reasonably possible the Organization will exercise the option. Leases with a lease term of 12 months or less at commencement are not recorded in the consolidated statement of financial position.

The Organization's office space lease agreement requires payments for lease and non-lease components and has elected to exclude the non-lease components for this operating lease. The non-lease components typically represent additional payments by the Organization, which are variable in nature and recorded in variable lease expense in the period incurred.

Recent accounting pronouncements: The Financial Accounting Standards Board (FASB) has issued certain new or modifications to, or interpretations of, existing accounting guidance. 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.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

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

Subsequent events: The Organization has evaluated subsequent events through November 7, 2023, the date on which the consolidated financial statements were available to be issued.

Note 2. 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 funded 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. However, no later than September 30 of each year, net eligible contributions remaining on June 30 of each year that are in excess of the 25% that may be carried forward shall be used to provide scholarships to eligible students or transferred to other eligible nonprofit SFOs to provide scholarships for eligible students. SUFS-FL expended \$695,626,649 and \$565,045,096 for scholarships during the years ended June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, SUFS-FL received transferred funds from another SFO amounting to \$148,270,000 and \$27,652,081, respectively.

Scholarships under the Florida Tax Credit Scholarship Program are awarded annually to qualified students. To qualify for a scholarship, a student and the parents or guardian of that student must meet economic need requirements, enroll in an eligible private school and comply with certain other responsibilities for program participation. Scholarships for the 2022-2023 school year and the 2021-2022 school year could not exceed \$10,373 and \$9,979, respectively. Scholarship payments were made to the schools after parent approval via automated clearing house (ACH) in quarterly installments. For the Florida Tax Credit Scholarship Program and the Family Empowerment Scholarship for Educational Options, schools continue to verify student attendance and that the students' parents or guardians have complied with their responsibilities under the program.

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	2023	2022
Furniture and equipment	\$ 1,292,877	\$ 1,094,766
Software development	13,941,855	6,904,881
Other software	3,999,881	3,964,542
Leasehold improvements	47,544	47,544
	<u>19,282,157</u>	<u>12,011,733</u>
Less accumulated depreciation	(5,004,493)	(3,672,160)
	<u>\$ 14,277,664</u>	<u>\$ 8,339,573</u>

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

Note 3. Property and Equipment (Continued)

Beginning in 2021, the Organization began investing in the development of a new software platform to better serve its scholarship students and families. The Education Marketplace Assistant (EMA) 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 the Organization 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. As of June 30, 2023, the Organization has invested over \$13.8 million in the EMA platform and the costs associated with this investment is included in the software development line above. The Florida Scholarship Programs will be administered through the EMA platform for the 2023-2024 school year.

Depreciation expense for the years ended June 30, 2023 and 2022, was \$1,332,333 and \$958,712, respectively.

Note 4. Line of Credit

SUFS-FL has a \$62,000,000 line of credit agreement with a bank bearing interest at the one-month Secured Overnight Financing Rate (SOFR) interest rate plus 1.1% (5.22% at June 30, 2023). Interest on the line of credit is payable monthly and matures on June 29, 2024. The line of credit is collateralized by substantially all the assets of SUFS-FL and guaranteed by Step Up For Students and SUFS-WV. The Organization maintains \$60,000,000 of the line of credit for the purpose of funding Florida Tax Credit Scholarship commitments under SUFS-FL 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, 2023 and 2022.

Note 5. Net Assets

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

	2023	2022
Undesignated	\$ 27,354,582	\$ 19,224,460

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

	2023	2022
Florida Tax Credit Scholarship Program	\$ 788,444,128	\$ 710,051,984
Hope Scholarship Program	315,471,658	246,041,940
Policy, Strategic Communications, Legislative Affairs and Advocacy	294,367	327,537
	<u>\$1,104,210,153</u>	<u>\$ 956,421,461</u>

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

Note 5. Net Assets (Continued)

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

	2023	2022
Florida Tax Credit Scholarship Program	\$ 704,436,980	\$ 567,821,077
Hope Scholarship Program	5,619,735	4,307,167
Alabama Tax Credit Scholarship Program	-	3,991,812
Policy, Strategic Communications, Legislative Affairs and Advocacy	33,170	154,808
	<u>\$ 710,089,885</u>	<u>\$ 576,274,864</u>

Note 6. Commitments

The Organization leases certain office equipment and office space under operating leases, which expire at various dates through April 2027. Rent expense for the years ended June 30, 2023 and 2022, was \$453,886 and \$518,422, respectively.

During 2021, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, resulting in right-of-use lease liabilities and right-of-use lease assets recorded in the consolidated statement of financial position, 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, 2023 and 2022, was 3.85%.

The right-of-use lease liabilities and their maturity analysis are summarized as follows as of June 30, 2023:

Years ending June 30:	
2024	\$ 564,666
2025	559,192
2026	440,120
2027	286,349
Total minimum payments required	<u>1,850,327</u>
Less amounts representing interest	<u>(129,011)</u>
Present value of minimum lease payments	<u>\$ 1,721,316</u>

The present value of minimum lease payments is included in the following captions in the consolidated statement of financial position at June 30, 2023:

Current portion of right-of-use lease liabilities	\$ 503,804
Right-of-use lease liabilities, net of current portion	1,217,512
	<u>\$ 1,721,316</u>

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

Note 7. Liquidity and Availability of Resources

As of June 30, 2023 and 2022, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 612,225,605	\$ 394,879,363
Pledges receivable, net	553,897,108	606,074,982
Accounts and grants receivable, net	6,427,241	5,631,960
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	<u>(1,104,210,153)</u>	<u>(956,421,461)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 68,339,801</u>	<u>\$ 50,164,844</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 an 8.5% reserve of the funds received. The purpose of that reserve is to accommodate for timing differences and potential rescindments by donors and to ensure sufficient funding is available for the first quarter tuition payments in the next fiscal year. 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 years ended June 30, 2023 and 2022, the Organization had approximately \$13.5 million and \$11.9 million outstanding in scholarship payable commitments for 3,266 and 4,727 scholarship recipients, respectively, for the Florida Tax Credit Scholarship Program. The scholarship payable commitments have been recorded as scholarship expense and included in accounts payable at June 30, 2023 and 2022. During the years ended June 30, 2023 and 2022, all scholarships were paid from donations received and the Organization carried forwarded approximately \$488 million and \$285 million of scholarship funds, respectively, for future scholarships.

During the years ended June 30, 2023 and 2022, the Organization had approximately \$36.0 million and \$23.3 million, respectively, in Family Empowerment Scholarship Program funds that are due to the Florida Department of Education (DOE) for scholarship recipients that did not use their scholarship in the 2022-2023 school year and in the 2021-2022 school year, respectively. These funds have been included in accounts payable at June 30, 2023 and 2022, and were returned to the DOE in October 2023 and August 2022, respectively.

Step Up For Students, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

Note 8. Major Donors

SUFS-FL: Contributions from two major donors accounted for approximately 33% of contributions and grants—Florida Tax Credit Scholarship Program during the year ended June 30, 2023. At June 30, 2023, approximately 40% of pledges receivable are due from these major donors. Contributions from two major donors accounted for approximately 35% of contributions and grants—Florida Tax Credit Scholarship Program during the year ended June 30, 2022. At June 30, 2022, approximately 40% of pledges receivable are due from these major donors.

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, 2023 and 2022, were \$963,859 and \$783,491, respectively, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

Step Up For Students, Inc. and Subsidiaries

Consolidating Statement of Financial Position June 30, 2023

	Step Up For Students, Inc.	Step Up For Students- Florida, Inc.	Step Up For Students-West Virginia, Inc.	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 231,353	\$ 611,217,473	\$ 776,779	\$ -	\$ 612,225,605
Pledges receivable, net	-	553,897,108	-	-	553,897,108
Accounts and grants receivable, net	4,085	5,886,257	536,899	-	6,427,241
Prepaid expenses and other assets	454,359	743,483	17,229	-	1,215,071
Funds held in trust for students	-	331,079,855	1,568,023	-	332,647,878
Due from related party	-	2,414,126	-	(2,414,126)	-
Total current assets	689,797	1,505,238,302	2,898,930	(2,414,126)	1,506,412,903
Restricted certificate of deposit	-	116,000	-	-	116,000
Right-of-use lease assets	1,682,270	-	-	-	1,682,270
Property and equipment, net	115,254	13,974,322	188,088	-	14,277,664
Total assets	\$ 2,487,321	\$ 1,519,328,624	\$ 3,087,018	\$ (2,414,126)	\$ 1,522,488,837
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 39,987	\$ 51,306,671	\$ -	\$ -	\$ 51,346,658
Accrued expenses	927,393	4,221,058	59,799	-	5,208,250
Funds held in trust for students liability	-	331,079,855	1,568,023	-	332,647,878
Due to related party	1,693,634	-	720,492	(2,414,126)	-
Current portion of right-of-use lease obligations	503,804	-	-	-	503,804
Total current liabilities	3,164,818	386,607,584	2,348,314	(2,414,126)	389,706,590
Right-of-use lease obligations, net of current portion	1,217,512	-	-	-	1,217,512
Total liabilities	4,382,330	386,607,584	2,348,314	(2,414,126)	390,924,102
Net assets:					
Without donor restrictions	(1,895,009)	28,805,206	444,385	-	27,354,582
With donor restrictions	-	1,103,915,834	294,319	-	1,104,210,153
Total net assets	(1,895,009)	1,132,721,040	738,704	-	1,131,564,735
Total liabilities and net assets	\$ 2,487,321	\$ 1,519,328,624	\$ 3,087,018	\$ (2,414,126)	\$ 1,522,488,837

Step Up For Students, Inc. and Subsidiaries

Consolidating Statement of Activities Year Ended June 30, 2023

	Step Up For Students, Inc.			Step Up For Students-Florida, Inc.			Step Up For Students-West Virginia, Inc.			Eliminations	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	\$ -	\$ -	\$ -	\$ 48,061,202	\$ 768,086,280	\$ 816,147,482	\$ -	\$ -	\$ -	\$ -	\$ 816,147,482
Hope Scholarship Program	-	-	-	6,293,690	73,461,012	79,754,702	-	-	-	-	79,754,702
Grants and other contributions	-	-	-	537,022	-	537,022	-	-	-	-	537,022
Other revenue and interest income	15,925,109	-	15,925,109	290,288	16,331,285	16,621,573	6,793	-	6,793	(15,913,044)	16,640,431
Scholarship service contract revenue	-	-	-	-	-	-	1,086,504	-	1,086,504	-	1,086,504
Net assets released from restrictions	-	-	-	710,059,215	(710,059,215)	-	30,670	(30,670)	-	-	-
Total revenues and support	15,925,109	-	15,925,109	765,241,417	147,819,362	913,060,779	1,123,967	(30,670)	1,093,297	(15,913,044)	914,166,141
Expenses:											
Program services:											
Florida Tax Credit Scholarship Program	-	-	-	717,171,898	-	717,171,898	-	-	-	-	717,171,898
Family Empowerment Scholarship Program	-	-	-	15,812,721	-	15,812,721	-	-	-	-	15,812,721
Hope Scholarship Program	-	-	-	6,134,780	-	6,134,780	-	-	-	-	6,134,780
Policy, Strategic Communications, Legislative Affairs and Advocacy	-	-	-	5,472,941	-	5,472,941	74,783	-	74,783	-	5,547,724
Reading Scholarship Program	-	-	-	928,631	-	928,631	-	-	-	-	928,631
Scholarship Service Contract	-	-	-	-	-	-	597,628	-	597,628	-	597,628
Total program services	-	-	-	745,520,971	-	745,520,971	672,411	-	672,411	-	746,193,382
Supporting services:											
General and administrative	17,820,272	-	17,820,272	7,981,498	-	7,981,498	343,328	-	343,328	(15,913,044)	10,232,054
Development and fundraising	-	-	-	1,821,891	-	1,821,891	-	-	-	-	1,821,891
Total supporting services	17,820,272	-	17,820,272	9,803,389	-	9,803,389	343,328	-	343,328	(15,913,044)	12,053,945
Total expenses	17,820,272	-	17,820,272	755,324,360	-	755,324,360	1,015,739	-	1,015,739	(15,913,044)	758,247,327
Change in net assets	(1,895,163)	-	(1,895,163)	9,917,057	147,819,362	157,736,419	108,228	(30,670)	77,558	-	155,918,814
Net assets:											
Beginning	154	-	154	18,888,149	956,096,472	974,984,621	336,157	324,989	661,146	-	975,645,921
Ending	\$ (1,895,009)	\$ -	\$ (1,895,009)	\$ 28,805,206	\$ 1,103,915,834	\$ 1,132,721,040	\$ 444,385	\$ 294,319	\$ 738,704	\$ -	\$ 1,131,564,735

Step Up For Students, Inc. and Subsidiaries

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2023**

Grantor/Pass-Through Grantor/Program Title	State CSFA Number	Contract/ Grant Number	Amounts Provided to Subrecipients	State Expenditures
State financial assistance:				
Florida Department of Education and Commissioner of Education:				
Direct program:				
New Worlds Reading Scholarship Accounts Program (formally known as the Reading Scholarship Accounts Program)	48.157	92X-93470-3D001	\$ -	\$ 4,756,067
Total expenditures of state financial assistance			\$ -	\$ 4,756,067

See notes to schedule of expenditures of state financial assistance.

Step Up For Students, Inc. and Subsidiaries

Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state financial assistance project activity of Step Up For Students, Inc. and its subsidiaries (the Organization), under programs of the State of Florida for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

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

SUFS-FL is acting as an agent for the New Worlds 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 \$4,756,067.

**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 (*Government Auditing Standards*), the consolidated financial statements of Step Up For Students, Inc. and its subsidiaries (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2023, 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 November 7, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Orlando, Florida
November 7, 2023

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

Independent Auditor's Report

Board of Directors
Step Up For Students, Inc.

Report on Compliance for its Major State Financial Assistance Project

Opinion on its Major State Financial Assistance Project

We have audited Step Up For Students, Inc. and its subsidiaries' (the Organization) compliance with the types of compliance requirements identified as subject to audit in the State of Florida's *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Organization's major state financial assistance project for the year ended June 30, 2023. The Organization's major state financial assistance project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state financial assistance project for the year ended June 30, 2023.

Basis for Opinion on its Major State Financial Assistance Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the State of Florida Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Our responsibilities under those standards and Chapter 10.650 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major state financial assistance project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's state financial assistance project.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of its major state financial assistance project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
November 7, 2023

Step Up For Students, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

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

State Financial Assistance

Internal control over major project:

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 project:

Unmodified

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 project:

CSFA Number(s)

48.157

Name of State Financial Assistance Project

New Worlds Reading Scholarship Accounts Program (formally known as the Reading Scholarship Accounts Program)

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

\$ 750,000

II. Financial Statement Findings

No matters to report.

III. Findings and Questioned Costs for State Financial Assistance

No matters to report.

IV. Other Reporting

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings.
2. There was no management letter (as defined by Section 10.654(1)(e), *Rules of the Florida Auditor General*) issued in connection with this audit.