

# Step Up For Students, Inc. and Subsidiaries

Consolidated Financial Report  
June 30, 2014

## Contents

---

Independent Auditor's Report on the Financial Statements	1 – 2
--	-------

---

Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 16

---

Supplementary Information	
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities	18

---

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 – 20
---	---------

---



## Independent Auditor's Report

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

### 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, 2014, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Step Up For Students, Inc. and its subsidiaries as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Step Up For Students, Inc. and its subsidiary's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matters – Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, 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 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 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.



Orlando, Florida  
December 10, 2014

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

**Consolidated Statement of Financial Position**

**June 30, 2014**

**(With Summarized Comparative Information for June 30, 2013)**

	2014	2013
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 61,423,816	\$ 38,701,997
Pledges receivable, less allowance for uncollectible pledges of \$15,500,000 and \$15,000,000 in 2014 and 2013, respectively	295,341,685	271,720,800
Accounts receivable	1,006,090	867,402
Prepaid expenses and other assets	176,983	159,747
Assets held for sale	580,450	611,000
<b>Total current assets</b>	<b>358,529,024</b>	312,060,946
Property and Equipment, Net	483,014	476,747
<b>Total assets</b>	<b>\$ 359,012,038</b>	<b>\$ 312,537,693</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 172,057	\$ 94,478
Accrued expenses	1,037,322	707,082
Deferred revenue	102,501	-
Current portion of long-term debt	59,905	774,919
<b>Total current liabilities</b>	<b>1,371,785</b>	1,576,479
Long-Term Debt, Less Current Portion	662,463	-
<b>Total liabilities</b>	<b>2,034,248</b>	1,576,479
Commitments and Contingencies (Note 7)		
Net Assets		
Unrestricted	2,768,500	1,916,767
Temporarily restricted	354,209,290	309,044,447
<b>Total net assets</b>	<b>356,977,790</b>	310,961,214
<b>Total liabilities and net assets</b>	<b>\$ 359,012,038</b>	<b>\$ 312,537,693</b>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Activities**

**Year Ended June 30, 2014**

**(With Summarized Comparative Information for June 30, 2013)**

	2014			Total 2013
	Unrestricted	Temporarily Restricted	Total	
<b>Revenues and Support</b>				
Contributions and grants:				
Florida Tax Credit Scholarship Program	\$ 8,709,200	\$ 305,218,339	\$ 313,927,539	\$ 310,672,626
Alabama Opportunity Scholarship Program	765,847	17,088,497	17,854,344	-
Grants and other contributions	581,970	573,500	1,155,470	153,068
Scholarship application and service fees	2,164,141	-	2,164,141	2,100,577
Other revenue	7,431	10,001	17,432	13,048
Net assets released from restrictions	277,725,494	(277,725,494)	-	-
<b>Total revenues and support</b>	<b>289,954,083</b>	<b>45,164,843</b>	<b>335,118,926</b>	<b>312,939,319</b>
<b>Expenses</b>				
Program services:				
Florida Tax Credit Scholarship Program	279,900,047	-	279,900,047	212,309,290
Alabama Opportunity Scholarship Program	3,144,246	-	3,144,246	-
School Development and Student Learning	1,215,243	-	1,215,243	454,339
Communications, Policy and Public Affairs	1,342,109	-	1,342,109	1,061,044
Family and Community Affairs	624,432	-	624,432	372,660
<b>Total program services</b>	<b>286,226,077</b>	<b>-</b>	<b>286,226,077</b>	<b>214,197,333</b>
Supporting services:				
General and administrative	1,486,182	-	1,486,182	1,043,250
Development and fundraising	1,390,091	-	1,390,091	1,242,172
<b>Total supporting services</b>	<b>2,876,273</b>	<b>-</b>	<b>2,876,273</b>	<b>2,285,422</b>
<b>Total expenses</b>	<b>289,102,350</b>	<b>-</b>	<b>289,102,350</b>	<b>216,482,755</b>
<b>Change in net assets</b>	<b>851,733</b>	<b>45,164,843</b>	<b>46,016,576</b>	<b>96,456,564</b>
<b>Net Assets</b>				
Beginning	1,916,767	309,044,447	310,961,214	214,504,650
Ending	<b>\$ 2,768,500</b>	<b>\$ 354,209,290</b>	<b>\$ 356,977,790</b>	<b>\$ 310,961,214</b>

See Notes to Consolidated Financial Statements.

Step Up For Students, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

(With Summarized Comparative Information for June 30, 2013)

	2014										
	Program Services					Supporting Services					Total 2013 Expenses
	Florida Tax Credit Scholarship Program	Alabama Opportunity Scholarship Program	School Development and Student Learning	Communications, Policy and Public Affairs	Family and Community Affairs	Total Program Services	General and Administrative	Development and Fundraising	Total Expenses		
Scholarships and grants	\$ 275,053,677	\$ 2,012,768	\$ -	\$ -	\$ -	\$ 277,066,445	\$ 37,000	\$ -	\$ 277,103,445	\$ 207,753,225	
Salaries and wages	1,869,703	522,282	742,244	812,928	206,545	4,153,702	798,558	802,371	5,754,631	4,389,223	
Payroll taxes and employee benefits	521,891	23,128	151,645	152,845	40,110	889,619	108,714	164,980	1,163,313	878,069	
Temporary labor	496,056	14,884	-	704	-	511,644	31,890	-	543,534	654,762	
Depreciation and impairment loss	171,545	461	21,247	13,456	8,205	214,914	20,997	22,758	258,669	448,890	
Other costs	336,174	30,748	13,254	33,980	21,960	436,116	21,394	93,536	551,046	441,668	
Contract services	-	-	30,485	24,431	8,000	62,916	29,003	70,889	162,808	289,675	
Rent	333,883	11,551	28,817	12,938	345	387,534	49,314	2,270	439,118	271,970	
Professional fees	63,547	20,886	15,560	5,656	90,122	195,771	238,128	670	434,569	244,207	
Telephone	128,915	4,371	22,692	27,063	7,792	190,833	16,212	33,108	240,153	242,849	
Recruiting and advertising	584,688	387,036	17,283	52,564	104,704	1,146,275	19,228	29,928	1,195,431	210,511	
Travel, lodging, meals and entertainment	36,430	54,039	40,675	47,109	105,357	283,610	47,034	69,523	400,167	184,905	
Printing and postage	10,988	33,943	19,069	95,685	11,156	170,841	25,479	58,408	254,728	172,159	
Repairs and maintenance	77,551	5,794	30,513	25,502	5,687	145,047	16,861	24,093	186,001	140,284	
Insurance	28,759	894	7,875	7,143	1,927	46,598	6,346	8,581	61,525	54,521	
Office expenses	19,864	21,061	10,650	13,384	6,069	71,028	17,543	6,558	95,129	47,940	
Interest	-	-	12,038	16,721	6,453	35,212	2,481	2,418	40,111	44,490	
Parent teacher development	-	400	51,196	-	-	51,596	-	-	51,596	13,407	
Write-off school receivables	166,376	-	-	-	-	166,376	-	-	166,376	-	
<b>Total</b>	<b>\$ 279,900,047</b>	<b>\$ 3,144,246</b>	<b>\$ 1,215,243</b>	<b>\$ 1,342,109</b>	<b>\$ 624,432</b>	<b>\$ 286,226,077</b>	<b>\$ 1,486,182</b>	<b>\$ 1,390,091</b>	<b>\$ 289,102,350</b>	<b>\$ 216,482,755</b>	

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Cash Flows**

**Year Ended June 30, 2014**

**(With Summarized Comparative Information for June 30, 2013)**

	2014	2013
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 46,016,576	\$ 96,456,564
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and impairment loss	258,669	448,890
Contribution of property and equipment	-	(54,215)
Provision for uncollectible pledges	10,205,040	6,752,595
Write-off of school receivables	166,376	-
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(33,825,925)	(84,230,384)
Grants receivable	-	679,000
Accounts receivable	(305,064)	(653,468)
Prepaid expenses and other assets	(17,236)	(78,892)
Increase (decrease) in liabilities:		
Accounts payable	77,579	10,681
Accrued expenses	330,240	340,668
Deferred revenue	102,501	-
Grants payable	-	(100,000)
<b>Net cash provided by operating activities</b>	<b>23,008,756</b>	<b>19,571,439</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(234,386)	(268,140)
<b>Net cash (used in) investing activities</b>	<b>(234,386)</b>	<b>(268,140)</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(52,551)	(49,245)
<b>Net cash (used in) financing activities</b>	<b>(52,551)</b>	<b>(49,245)</b>
<b>Net increase in cash and cash equivalents</b>	<b>22,721,819</b>	<b>19,254,054</b>
<b>Cash and Cash Equivalents</b>		
Beginning	38,701,997	19,447,943
Ending	<u>\$ 61,423,816</u>	<u>\$ 38,701,997</u>
<b>Supplemental Disclosures of Cash Flows Information –</b>		
Cash paid during the year for interest	<u>\$ 41,086</u>	<u>\$ 40,938</u>
<b>Supplemental Disclosures of Noncash Investing and Financing Activities –</b>		
Transfer of property and equipment to assets held for sale	<u>\$ -</u>	<u>\$ 866,432</u>

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 Year Ended June 30, 2013)

---

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

Nature of Organization: Step Up For Students, Inc. and its subsidiaries (collectively, the Organization) primary mission is to provide legislatively authorized K-12 scholarships and related support to give economically disadvantaged families the freedom to choose the best learning options for their children. The Organization is dedicated to helping alleviate the enormous educational challenges faced by children who live in or near poverty.

Step Up For Students, Inc. (Step Up For Students) is a not-for-profit organization incorporated on February 18, 2000. Step Up For Students' mission is to provide legislatively authorized K-12 scholarships and related support to give economically disadvantaged families the freedom to choose the best learning options for their children in Florida. Step Up For Students provides scholarships to low income families. It served 59,822 students in 1,429 private schools across Florida during the 2013 – 2014 school year and it served 51,075 students in 1,338 private schools across Florida during the 2012 – 2013 school year.

The Scholarship Organization Network L3C, LLC (The Scholarship Organization Network) was a wholly-owned subsidiary that commenced operations in March 2011. The Scholarship Organization Network evaluated scholarship eligibility for the scholarships that Step Up For Students awarded. On June 30, 2014, The Scholarship Organization Network was dissolved and its net assets and operations were absorbed by Step Up For Students.

The Alabama Opportunity Scholarship Fund, LLC (Alabama Opportunity Scholarship Fund) is a not-for-profit organization established on October 4, 2013. The Alabama Opportunity Scholarship Fund is an Alabama limited liability company whose sole member is Step Up For Students. The Alabama Opportunity Scholarship Fund empowers families to choose the school that best fits their child's unique educational needs by offering K-12 scholarships to low-income parents. Since its inception, 900 children received scholarships and 3,500 low income children are expected to receive scholarships to attend private schools in the 2014 – 2015 school year.

Principles of Consolidation: The consolidated financial statements include the accounts of Step Up For Students and its wholly-owned subsidiaries, The Scholarship Organization Network L3C, LLC and the Alabama Opportunity Scholarship Fund, LLC. All significant intercompany transactions have been eliminated in consolidation.

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 100 percent state tax credit against any of the following tax sources: corporate income tax, insurance premium tax, alcoholic beverage excise tax, direct-pay sales tax, and oil and gas severance tax. 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 2013 – 2014 school year and the 2012 – 2013 school year, qualified students received a maximum scholarship of \$4,880 and \$4,335, respectively, to attend a private school that have been approved by the State of Florida or \$500 for transportation to an out-of-district public school. Scholarships are expensed when a student attends a qualified school. Step Up For Students is allowed to use up to 3% of the contributions collected to administer the scholarship program.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

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

- Alabama Opportunity Scholarship Program: The Alabama Opportunity Scholarship Fund was established to operate under standards prescribed in the Alabama Accountability Act of 2013 and is approved under the Alabama Department of Revenue to serve as a Scholarship Granting Organization (SGO). In accordance with the Alabama Accountability Act of 2013 and the Administrative Rulings by the Alabama Department of Revenue, the Alabama Opportunity Scholarship Fund must use at least 95% of revenue from credit eligible scholarship donations and all interest and investment income attributable to these scholarship funds for educational scholarships. Therefore, the Alabama Opportunity Scholarship Fund may use no more than 5% of the amount of its scholarship donations for purposes other than making scholarship grants. As an SGO, the Alabama Opportunity Scholarship Fund can solicit and receive corporate and individual donations that entitle the donors to certain tax credits administered by the Alabama Department of Revenue.
- School Development and Student Learning: This program oversees the process development intended to assist schools and families in establishing and maintaining collaborative partnerships that ensure the academic, social and emotional success of every child; while at the same time, upholding the belief that the ultimate responsibility for the education of the child resides with the parent.
- Communications, Policy and Public Affairs: This program takes the message of school choice to constituency groups, community and political leaders, and local, state and national news publications. It publishes a newsletter with a circulation of approximately 37,000, four times a year, creates monthly student spotlights, issues press releases on topics of special concern, and writes commentary for various publications. The group also analyzes demographic, achievement and participation data and trends in the program and school choice movement.
- Family and Community Affairs: This program began in 2003 and is responsible for building community partnerships which enhance the overall scholarship experience for students and their families. The program also serves non-public schools, educators, parents and the community by promoting and defending educational choices for families in Florida. The group helps train choice advocates on how to defend and advance school choice through research, media/public relations, accountability, legislative/political, program implementation and community leader influence.

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

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, 2013, 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 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.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

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

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

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

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all short-term securities with an original maturity of three months or less to be cash equivalents.

The Organization maintains their cash accounts at two commercial banks, which are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed amounts insured by the FDIC. 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 at fair value as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions and grants that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give (pledges) are recognized as support in the period received at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based upon management estimates of current economic factors and analysis of specific pledges. Step Up For Students has received promises to give from corporations for the Florida Tax Credit Scholarship Program. During the year ended June 30, 2014, Step Up For Students received contributions and pledges of \$313,927,539, net of a \$10,205,040 provision for uncollectible pledges. During the year ended June 30, 2013, Step Up For Students received contributions and pledges of \$310,672,626, net of a \$6,752,595 provision for uncollectible pledges. The Alabama Opportunity Scholarship Fund has no unconditional promises to give (pledges) at June 30, 2014.

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

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

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

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. The estimated fair value of contributed services was \$4,000 and \$25,900 for the years ended June 30, 2014 and 2013, respectively, which is included in contributions and grants in the accompanying consolidated statement of activities.

Accounts Receivable: Accounts receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivables. The allowance is based upon management estimates of current economic factors and analysis of specific accounts. In the opinion of management, no allowance for uncollectible accounts was considered necessary at June 30, 2014 and 2013.

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, 2014 and 2013.

Assets Held for Sale: Assets held for sale are reported at the lower of the carrying amount or fair value less cost to sell. Assets held for sale represent land and a building located in Tampa, Florida. During the year ended June 30, 2013, the Board of Directors made the decision to sell the land and building. During the years ended June 30, 2014 and 2013, Step Up For Students recorded an impairment loss of \$30,550 and \$255,432, respectively, on the assets held for sale, which is included in the accompanying consolidated statement of functional expenses.

Scholarship Application and Service Fees: Revenue from non-refundable scholarship application and service fees is recognized at the time the application is submitted for the Alabama Opportunity Scholarship Fund and for Step Up For Students for the 2013 – 2014 school year. During the 2014 Florida legislative session, a provision was added to the Florida Statutes requiring SFOs to refund the scholarship application and service fees to families that do not use the scholarship within 12 months of their scholarship award. Scholarship application fees received for the 2014 – 2015 school year not processed at June 30, 2014, are recorded as deferred revenue in the accompanying statement of financial position.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

#### 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.

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

The Scholarship Organization Network, the wholly-owned subsidiary of Step Up For Students, files its federal and state income tax returns as a for-profit corporation. The Scholarship Organization Network has incurred net operating losses since inception, therefore, no provision or liability for federal or state income taxes have been recorded in the accompanying consolidated financial statements.

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

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before June 30, 2011.

Fair Value of Financial Instruments: At June 30, 2014 and 2013, the Organization's financial instruments consist of cash and cash equivalents, pledges receivable, accounts receivable, accounts payable, accrued expenses, deferred revenue and long-term debt. The fair values of the Organization's financial instruments excluding long-term debt approximate their fair values because of the short-term nature of these instruments. Long-term debt at fixed rates is not materially different from fair value based upon maturities and similar credit risk comparisons available to the Organization at June 30, 2014 and 2013.

Recent Accounting Pronouncements: The Financial Accounting Standards Board has issued certain new or modifications to, or interpretations of, existing accounting guidance. The Organization has considered the new un-adopted guidance 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.

Reclassifications: Certain amounts in the 2013 consolidated financial statements have been reclassified in order to conform with the 2014 presentation. These reclassifications had no impact on total assets, total liabilities, total net assets, or changes in net assets previously reported.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

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

Subsequent Events: Management has assessed subsequent events through December 10, 2014, the date the consolidated financial statements were available to be issued.

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

*Florida Tax Credit Scholarship Program and Scholarships Awarded* – Florida Statutes permit Scholarship Funding Organizations participating in the Florida Tax Credit Scholarship Program to use up to 3% of eligible contributions received for administrative expenses. Scholarship Funding Organizations must expend for annual or partial-year scholarships an amount equal to or greater than 75% of the net eligible contributions remaining after administrative expenses during the year in which such contributions are collected. No more than 25% of such net eligible contributions may be carried forward for expenditure to the following year. During the year ended June 30, 2014, Step Up For Students collected \$290,306,654 of eligible contributions and earned \$8,239 of interest on the investment of these collected funds. Step Up For Students claimed an administrative allowance of \$8,709,200 and expended \$275,053,677 for scholarships during the year ended June 30, 2014. During the year ended June 30, 2013, Step Up For Students collected \$233,198,837 of eligible contributions and earned \$7,252 of interest on the investment of these collected funds. Step Up For Students claimed an administrative allowance of \$6,995,845 and expended \$207,753,225 for scholarships during the year ended June 30, 2013.

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 2013 – 2014 and 2012 – 2013 school years could not exceed \$4,880 and \$4,335, respectively. The scholarship checks are made payable to the student's parent or guardian and the private school. The checks are mailed to the schools in quarterly installments. Before the mailing, the schools verify the students' attendance and that the students' parents or guardians have complied with their responsibilities under the program. Both the parents or guardians and schools endorse the checks before they are deposited into the schools' bank accounts.

*Alabama Opportunity Scholarship Program and Scholarships Awarded* – The Alabama Accountability Act of 2013 and the Administrative Rulings by the Alabama Department of Revenue permit Scholarship Granting Organizations participating in the Alabama Tax Credit Scholarship Program to use up to 5% of eligible contributions received for administrative expenses. Scholarship Granting Organizations must expend for scholarships an amount equal to or greater than 95% of the net eligible contributions remaining after administrative expenses. During the year ended June 30, 2014, the Alabama Opportunity Scholarship Fund collected \$17,854,344 of eligible contributions and earned \$1,762 of interest on the investment of these collected funds. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$765,847 and expended \$2,012,768 for scholarships during the year ended June 30, 2014.

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

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

#### Note 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 790,154	\$ 645,807
Software	543,494	453,455
Leasehold improvements	11,082	11,082
	<u>1,344,730</u>	<u>1,110,344</u>
Less accumulated depreciation	(861,716)	(633,597)
	<u>\$ 483,014</u>	<u>\$ 476,747</u>

Depreciation expense for the years ended June 30, 2014 and 2013, was \$228,119 and \$193,458, respectively.

#### Note 4. Line of Credit

Step Up For Students has a \$20,000,000 line of credit from a bank bearing interest at the one-month LIBOR interest rate plus 2% (2.15% at June 30, 2014). Interest on the line of credit is payable monthly and matures on April 27, 2015. The line of credit is collateralized by substantially all the assets of Step Up For Students. There were no outstanding balances on the line of credit at June 30, 2014 and 2013.

#### Note 5. Long-Term Debt

Long-term debt consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<i>Step Up For Students:</i>		
Mortgage note payable with a bank, due in monthly principal and interest payments of \$7,506. The mortgage note bears interest at a fixed rate of 4.28%, with a balloon payment due on June 30, 2016. In April 2014, the bank extended the mortgage note to June 30, 2016. The mortgage note is collateralized by real property and personally guaranteed by a board member.	\$ 722,368	\$ 774,919
Less current portion	(59,905)	(774,919)
	<u>\$ 662,463</u>	<u>\$ -</u>

Maturities of long-term debt as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 59,905
2016	662,463
	<u>\$ 722,368</u>

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2013)

#### Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013, are available for the following purposes:

	2014	2013
Florida Tax Credit Scholarship Program	\$ 338,936,332	\$ 308,777,250
Alabama Opportunity Scholarship Program	15,076,958	-
Communications, Policy and Public Affairs	186,441	227,560
Family and Community Affairs	9,559	39,637
	<u>\$ 354,209,290</u>	<u>\$ 309,044,447</u>

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

	2014	2013
Florida Tax Credit Scholarship Program	\$ 275,070,996	\$ 207,756,331
Alabama Opportunity Scholarship Program	2,583,301	-
Communications, Policy and Public Affairs	41,119	51,476
Family and Community Affairs	30,078	26,360
	<u>\$ 277,725,494</u>	<u>\$ 207,834,167</u>

#### Note 7. Commitments and Contingencies

Commitments: The Organization leases certain office equipment and office space under operating leases which expire at various dates through January 2020. Rent expense for the years ended June 30, 2014 and 2013, was \$439,118 and \$271,970, respectively.

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

Year Ending June 30,	Amount
2015	\$ 488,380
2016	498,333
2017	499,000
2018	493,221
2019	504,730
Thereafter	294,426
	<u>\$ 2,778,090</u>

Litigation: The states of Florida and Alabama are subject to four lawsuits that essentially challenge the constitutionality of the legislatively authorized K-12 scholarship programs and related support. The Organization has not been named as a defendant in any of these lawsuits. The attorneys general in these states are defending these cases. If the cases are successful, the mission and the funding of scholarships will be in doubt as currently provided by state law. Management is of the opinion that none of these cases have merit based on existing case law and actions the affected legislatures can take to ensure constitutional compliance.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

#### **Note 8. Major Donor**

*Step Up For Students* – No single donor accounted for more than 10% of contributions and grants during the years ended June 30, 2014 and 2013.

*Alabama Opportunity Scholarship Fund* – Contributions from two major donors accounted for approximately 81.4% of contributions and grants during the year ended June 30, 2014.

#### **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, 2014 and 2013, were \$194,655 and \$102,780, respectively, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

#### **Note 10. Fair Value Measurements**

The Organization follows accounting standards relating to fair value measurements which define fair value, establish a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expand disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level inputs, as defined by this guidance, are as follows: Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date; Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date; and Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

## Step Up For Students, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2013)

---

#### Note 10. Fair Value Measurements (Continued)

Long-lived assets are measured at fair value on a nonrecurring basis based upon inputs that are derived principally from, or corroborated by comparable market data by correlation or other means only when there is evidence of impairment. The amounts below represent only assets measured at fair value on a nonrecurring basis at June 30, 2014 and 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Loss
<i>Step Up For Students:</i>					
<b>June 30, 2014</b>					
Assets held for sale	\$ 866,432	\$ -	\$ -	\$ 580,450	\$ 285,982
June 30, 2013					
Assets held for sale	\$ 866,432	\$ -	\$ -	\$ 611,000	\$ 255,432

At June 30, 2014 and 2013, the Organization had no assets or liabilities measured at fair value on a recurring basis.

#### Note 11. Subsequent Events

In June 2014, legislation creating scholarships for special needs children was signed into law in Florida. Under this law, \$18.4 million is available for scholarships during the 2014 – 2015 school year. This scholarship is for Florida students in kindergarten through 12th grade with one of the following disabilities: Autism, Cerebral palsy, Down syndrome, Prader-Willi syndrome, Spina bifida, Williams syndrome or Intellectual Disability (severe cognitive impairment). 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 the 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 Personal Learning 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. Applicants are evaluated and the Personal Learning Scholarship Accounts may be administered by any approved Florida SFO. Step Up For Students began administering this program in July 2014. These activities are funded by grants and donations awarded to Step Up For Students to inform the public about the program, establish systems and administer the program for the first program year. The statute does not provide funding to SFOs that administer the program.

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

**Consolidating Statement of Financial Position  
June 30, 2014**

	Step Up For Students	Alabama Opportunity Scholarship Fund	Eliminations	Consolidated
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 45,958,014	\$ 15,465,802	\$ -	\$ 61,423,816
Pledges receivable, net	295,341,685	-	-	295,341,685
Accounts receivable	1,001,457	4,633	-	1,006,090
Prepaid expenses and other assets	176,217	766	-	176,983
Assets held for sale	580,450	-	-	580,450
Due from related parties	168,600	-	(168,600)	-
<b>Total current assets</b>	<b>343,226,423</b>	<b>15,471,201</b>	<b>(168,600)</b>	<b>358,529,024</b>
Property and Equipment, Net	474,551	8,463	-	483,014
<b>Total assets</b>	<b>\$ 343,700,974</b>	<b>\$ 15,479,664</b>	<b>\$ (168,600)</b>	<b>\$ 359,012,038</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities				
Accounts payable	\$ 171,392	\$ 665	\$ -	\$ 172,057
Accrued expenses	879,243	158,079	-	1,037,322
Deferred revenue	102,501	-	-	102,501
Current portion of long-term debt	59,905	-	-	59,905
Due to related parties	-	168,600	(168,600)	-
<b>Total current liabilities</b>	<b>1,213,041</b>	<b>327,344</b>	<b>(168,600)</b>	<b>1,371,785</b>
Long-Term Debt, Less Current Portion	662,463	-	-	662,463
<b>Total liabilities</b>	<b>1,875,504</b>	<b>327,344</b>	<b>(168,600)</b>	<b>2,034,248</b>
Net Assets				
Unrestricted	2,693,138	75,362	-	2,768,500
Temporarily restricted	339,132,332	15,076,958	-	354,209,290
<b>Total net assets</b>	<b>341,825,470</b>	<b>15,152,320</b>	<b>-</b>	<b>356,977,790</b>
<b>Total liabilities and net assets</b>	<b>\$ 343,700,974</b>	<b>\$ 15,479,664</b>	<b>\$ (168,600)</b>	<b>\$ 359,012,038</b>

Step Up For Students, Inc. and Subsidiaries

Consolidating Statement of Activities  
Year Ended June 30, 2014

	Step Up For Students			The Scholarship Organization Network	Eliminations	Total Florida Activities	Alabama Opportunity Scholarship Fund			Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted			Unrestricted	Temporarily Restricted	Total	
Revenues and Support										
Contributions and grants:										
Florida Tax Credit Scholarship Program	\$ 8,709,200	\$ 305,218,339	\$ 313,927,539	\$ -	\$ -	\$ 313,927,539	\$ -	\$ -	\$ -	\$ 313,927,539
Alabama Opportunity Scholarship Program	-	-	-	-	-	-	765,847	17,088,497	17,854,344	17,854,344
Grants and other contributions	581,970	3,500	585,470	-	-	585,470	-	570,000	570,000	1,155,470
Scholarship application and service fees	-	-	-	2,097,242	-	2,097,242	66,899	-	66,899	2,164,141
Other revenue	823,631	8,239	831,870	-	(816,200)	15,670	-	1,762	1,762	17,432
Net assets released from restrictions	275,142,193	(275,142,193)	-	-	-	-	2,583,301	(2,583,301)	-	-
<b>Total revenues and support</b>	<b>285,256,994</b>	<b>30,087,885</b>	<b>315,344,879</b>	<b>2,097,242</b>	<b>(816,200)</b>	<b>316,625,921</b>	<b>3,416,047</b>	<b>15,076,958</b>	<b>18,493,005</b>	<b>335,118,926</b>
Expenses										
Program services:										
Florida Tax Credit Scholarship Program	277,301,428	-	277,301,428	2,993,305	(394,686)	279,900,047	-	-	-	279,900,047
Alabama Opportunity Scholarship Program	-	-	-	-	-	-	3,144,246	-	3,144,246	3,144,246
School Development and Student Learning	1,215,243	-	1,215,243	-	-	1,215,243	-	-	-	1,215,243
Communications, Policy and Public Affairs	1,281,671	-	1,281,671	-	-	1,281,671	60,438	-	60,438	1,342,109
Family and Community Affairs	624,432	-	624,432	-	-	624,432	-	-	-	624,432
<b>Total program services</b>	<b>280,422,774</b>	<b>-</b>	<b>280,422,774</b>	<b>2,993,305</b>	<b>(394,686)</b>	<b>283,021,393</b>	<b>3,204,684</b>	<b>-</b>	<b>3,204,684</b>	<b>286,226,077</b>
Supporting services:										
General and administrative	1,352,981	-	1,352,981	421,514	(421,514)	1,352,981	133,201	-	133,201	1,486,182
Development and fundraising	1,387,291	-	1,387,291	-	-	1,387,291	2,800	-	2,800	1,390,091
<b>Total supporting services</b>	<b>2,740,272</b>	<b>-</b>	<b>2,740,272</b>	<b>421,514</b>	<b>(421,514)</b>	<b>2,740,272</b>	<b>136,001</b>	<b>-</b>	<b>136,001</b>	<b>2,876,273</b>
<b>Total expenses</b>	<b>283,163,046</b>	<b>-</b>	<b>283,163,046</b>	<b>3,414,819</b>	<b>(816,200)</b>	<b>285,761,665</b>	<b>3,340,685</b>	<b>-</b>	<b>3,340,685</b>	<b>289,102,350</b>
<b>Change in net assets</b>	<b>2,093,948</b>	<b>30,087,885</b>	<b>32,181,833</b>	<b>(1,317,577)</b>	<b>-</b>	<b>30,864,256</b>	<b>75,362</b>	<b>15,076,958</b>	<b>15,152,320</b>	<b>46,016,576</b>
Net Assets										
Beginning	4,981,225	309,044,447	314,025,672	(3,064,458)	-	310,961,214	-	-	-	310,961,214
Transfer of net assets	(4,382,035)	-	(4,382,035)	4,382,035	-	-	-	-	-	-
Ending	\$ 2,693,138	\$ 339,132,332	\$ 341,825,470	\$ -	\$ -	\$ 341,825,470	\$ 75,362	\$ 15,076,958	\$ 15,152,320	\$ 356,977,790



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Step Up For Students, Inc. and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Step Up For Students, Inc. and its subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Step Up For Students, Inc. and its subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Step Up For Students, Inc. and its subsidiaries' 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 Step Up For Students, Inc. and its subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Step Up For Students, Inc. and its subsidiaries' internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

The signature of McGladrey LLP is written in a cursive, handwritten style.

Orlando, Florida  
December 10, 2014