

Step Up For Students, Inc. and Subsidiary

Consolidated Financial Report
June 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Step Up For Students, Inc. and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Step Up For Students, Inc. and its subsidiary as of June 30, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of state financial assistance, as required by State of Florida Chapter 10.650, *Rules of the Auditor General*, is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of Step Up For Students, Inc. and its subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 subsidiary's internal control over financial reporting and compliance.

The signature is written in a cursive, handwritten style in black ink. It reads "McGladrey LLP".

Orlando, Florida
October 7, 2015

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2015

(With Summarized Comparative Information for June 30, 2014)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 31,401,777	\$ 61,423,816
Pledges receivable, less allowance for uncollectible pledges of \$26,000,000 and \$15,500,000 in 2015 and 2014, respectively	406,593,606	295,341,685
Accounts and grants receivable	1,281,027	1,006,090
Prepaid expenses and other assets	228,985	176,983
Funds held in trust for students	8,963,824	-
Assets held for sale	-	580,450
Total current assets	448,469,219	358,529,024
Restricted Certificate of Deposit	225,000	-
Property and Equipment, Net	661,702	483,014
Total assets	\$ 449,355,921	\$ 359,012,038
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 168,057	\$ 172,057
Accrued expenses	1,040,957	1,037,322
Deferred revenue	138,318	102,501
Current portion of long-term debt	-	59,905
Funds held in trust for students liability	8,963,824	-
Total current liabilities	10,311,156	1,371,785
Long-Term Debt, Less Current Portion	-	662,463
Total liabilities	10,311,156	2,034,248
Commitments and Contingencies (Note 7)		
Net Assets		
Unrestricted	3,020,239	2,768,500
Temporarily restricted	436,024,526	354,209,290
Total net assets	439,044,765	356,977,790
Total liabilities and net assets	\$ 449,355,921	\$ 359,012,038

See Notes to Consolidated Financial Statements.

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2015

(With Summarized Comparative Information for June 30, 2014)

	2015			Total 2014
	Unrestricted	Temporarily Restricted	Total	
Revenues and Support				
Contributions and grants:				
Florida Tax Credit Scholarship Program	\$ 9,973,650	\$ 433,254,625	\$ 443,228,275	\$ 313,927,539
Alabama Opportunity Scholarship Program	644,110	10,632,332	11,276,442	17,854,344
Grants and other contributions	1,291,076	1,755,673	3,046,749	1,155,470
Scholarship application and service fees	1,479,255	-	1,479,255	2,164,141
Other revenue	13,165	8,223	21,388	17,432
Net assets released from restrictions	363,835,617	(363,835,617)	-	-
Total revenues and support	377,236,873	81,815,236	459,052,109	335,118,926
Expenses				
Program services:				
Florida Tax Credit Scholarship Program	352,766,475	-	352,766,475	279,900,047
Alabama Opportunity Scholarship Program	15,328,999	-	15,328,999	3,144,246
School Development and Student Learning	1,546,726	-	1,546,726	1,215,243
Personal Learning Scholarship Accounts Program	1,469,172	-	1,469,172	-
Communications, Policy and Public Affairs	1,300,738	-	1,300,738	1,342,109
Family and Community Affairs	879,367	-	879,367	624,432
Total program services	373,291,477	-	373,291,477	286,226,077
Supporting services:				
General and administrative	2,145,430	-	2,145,430	1,486,182
Development and fundraising	1,548,227	-	1,548,227	1,390,091
Total supporting services	3,693,657	-	3,693,657	2,876,273
Total expenses	376,985,134	-	376,985,134	289,102,350
Change in net assets	251,739	81,815,236	82,066,975	46,016,576
Net Assets				
Beginning	2,768,500	354,209,290	356,977,790	310,961,214
Ending	\$ 3,020,239	\$ 436,024,526	\$ 439,044,765	\$ 356,977,790

See Notes to Consolidated Financial Statements.

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2015

(With Summarized Comparative Information for June 30, 2014)

	2015						Total Program Services	Supporting Services		Total Expenses	Total 2014 Expenses
	Program Services			Supporting Services				General and Administrative	Development and Fundraising		
	Florida Tax Credit Scholarship Program	Alabama Opportunity Scholarship Program	School Development and Student Learning	Personal Learning Scholarship Accounts Program	Communications, Policy and Public Affairs	Family and Community Affairs					
Scholarships and grants	\$ 347,578,490	\$ 14,679,343	\$ -	\$ -	\$ -	\$ -	\$ 362,257,833	\$ -	\$ -	\$ 362,257,833	\$ 277,103,445
Salaries and wages	2,174,453	359,909	1,026,210	406,702	815,405	386,642	5,169,321	1,036,728	910,201	7,116,250	5,754,631
Payroll taxes and employee benefits	615,896	47,434	218,456	38,075	155,447	74,425	1,149,733	179,281	199,434	1,528,448	1,163,313
Recruiting and advertising	646,870	21,540	16,832	610,181	37,583	54,225	1,387,231	50,973	34,259	1,472,463	1,184,956
Temporary labor	503,117	21,904	-	52,229	442	23,878	601,570	-	147	601,717	543,534
Contract services	27,612	64,675	46	244,163	42,742	93,285	472,523	69,506	12,801	554,830	162,808
Professional fees	3,633	-	476	46,190	43	5	50,347	495,415	28	545,790	434,569
Travel, lodging and meals	47,946	43,496	94,138	4,114	58,649	155,420	403,763	38,444	79,378	521,585	400,167
Rent	297,438	27,713	31,929	5,237	2,349	323	364,989	109,626	1,688	476,303	439,118
Bank charges and fees	343,868	-	-	11,434	-	-	355,302	445	-	355,747	296,588
Other costs	36,880	28,781	16,215	2,387	34,798	39,065	158,126	34,612	157,980	350,718	316,529
Telephone	184,399	11,093	24,490	3,528	21,876	12,670	258,056	16,821	28,892	303,769	240,153
Depreciation and impairment loss	113,554	492	24,089	35,751	17,979	4,067	195,932	14,268	21,903	232,103	258,669
Insurance	82,731	612	27,866	2,942	17,442	6,278	137,871	26,971	25,701	190,543	61,525
Printing and postage	9,248	9,161	21,800	4,760	51,325	9,667	105,961	29,624	43,214	178,799	254,728
Repairs and maintenance	45,469	4,684	20,747	1,473	19,701	6,525	98,599	24,510	22,253	145,362	140,428
Office expenses	44,812	8,162	15,846	-	16,848	9,203	94,871	11,402	9,028	115,301	140,702
Interest	695	-	7,586	6	8,109	3,689	20,085	6,804	1,320	28,209	40,111
Write-off of school receivables	9,364	-	-	-	-	-	9,364	-	-	9,364	166,376
Total	\$ 352,766,475	\$ 15,328,999	\$ 1,546,726	\$ 1,469,172	\$ 1,300,738	\$ 879,367	\$ 373,291,477	\$ 2,145,430	\$ 1,548,227	\$ 376,985,134	\$ 289,102,350

See Notes to Consolidated Financial Statements.

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended June 30, 2015

(With Summarized Comparative Information for June 30, 2014)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 82,066,975	\$ 46,016,576
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and impairment loss	232,103	258,669
Provision for uncollectible pledges	22,082,500	10,205,040
Write-off of school receivables	9,364	166,376
Gain on sale of assets held for sale	(2,905)	-
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(133,334,421)	(33,825,925)
Accounts and grants receivable	(284,301)	(305,064)
Prepaid expenses and other assets	(52,002)	(17,236)
Funds held in trust for students	(8,963,824)	-
Increase (decrease) in liabilities:		
Accounts payable	(4,000)	77,579
Accrued expenses	3,635	330,240
Deferred revenue	35,817	102,501
Funds held in trust for students liability	8,963,824	-
Net cash (used in) provided by operating activities	(29,247,235)	23,008,756
Cash Flows From Investing Activities		
Increase in restricted certificate of deposit	(225,000)	-
Proceeds from sale of assets held for sale	583,355	-
Purchases of property and equipment	(410,791)	(234,386)
Net cash used in investing activities	(52,436)	(234,386)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(722,368)	(52,551)
Net cash used in financing activities	(722,368)	(52,551)
Net (decrease) increase in cash and cash equivalents	(30,022,039)	22,721,819
Cash and Cash Equivalents		
Beginning	61,423,816	38,701,997
Ending	\$ 31,401,777	\$ 61,423,816
Supplemental Disclosures of Cash Flows Information		
Cash paid during the year for interest	\$ 30,786	\$ 41,086

See Notes to Consolidated Financial Statements.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The primary mission of Step Up For Students, Inc. and its subsidiary (collectively, the Organization) is to provide legislatively authorized K-12 scholarships and related support to give 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. Through the Florida Tax Credit Scholarship program, Step Up For Students served 69,671 and 59,822 students in 1,533 and 1,429 private schools across Florida during the 2014 – 2015 and 2013 – 2014 school years, respectively.

Additionally, Step Up For Students administers the Florida Personal Learning Scholarships Accounts (PLSA) Program. The PLSA was created to provide the option for parents to better meet the individual educational needs of an eligible child. The PLSA provides eligible students a scholarship that can be used to purchase approved services or products. During the year ended June 30, 2015, Step Up For Students administered the program for 1,575 eligible children.

The Alabama Opportunity Scholarship Fund, LLC (Alabama Opportunity Scholarship Fund) is a not-for-profit limited liability company established on October 4, 2013 whose sole member is Step Up For Students. The Alabama Opportunity Scholarship Fund was formed to help implement the Alabama Accountability Act of 2013. Through the Alabama Opportunity Scholarship Fund K-12 scholarship program, approximately 2,800 and 900 children received scholarships to attend private schools for the 2014 – 2015 and 2013 – 2014 school years, respectively.

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

- **Florida Tax Credit Scholarship Program:** Step Up For Students, Inc. is approved under Florida Statute 1002.395 to serve as a Scholarship Funding Organization (SFO). Since July 1, 2011, Step Up For Students has been the predominate Florida SFO. As an SFO, Step Up For Students can solicit and receive corporate contributions that are entitled to a state tax credit against 100% of corporate income tax, insurance premium tax, and direct-pay sales tax liabilities, 90% of alcoholic beverage tax liabilities, and 50% of oil and gas severance tax liabilities. Those contributions, in turn, must be spent to provide scholarships to low income Florida school children in compliance with the Florida Tax Credit Scholarship Program. For the 2014 – 2015 school year and the 2013 – 2014 school year, qualified students received a maximum scholarship of \$5,272 and \$4,880, 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 Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

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.
- Personal Learning Scholarship Accounts Program: In June 2014, legislation creating scholarships for special needs children was signed into law in Florida. This scholarship is for Florida students in kindergarten through 12th grade with one of the following disabilities: Autism, Muscular Dystrophy, Cerebral palsy, Down syndrome, Prader-Willi syndrome, Spina bifida, Williams syndrome 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 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. Step Up For Students began administering this program in July 2014.

During the year ended June 30, 2015, Step Up For Students, per the provisions of state statute, did not receive an administrative fee for administering the program on behalf of the State of Florida. During the year ended June 30, 2015, these activities were funded by private grants and contributions received by Step Up For Students to inform the public about the program, establish systems and administer the program and amounted to approximately \$716,000. Beginning in July 2015, legislation was passed to provide for an administrative fee of 3% of funded scholarships from the State of Florida to cover the administration of the program.

The State of Florida funded approximately \$15.9 million in scholarships for eligible children and Step Up For Students distributed approximately \$7.0 million, leaving a balance of approximately \$8.9 million, which is recorded in the accompanying consolidated statement of financial position as both an asset and liability. Step Up For Students is acting as an agent for this program, therefore, there are no revenues and expenses reported on the accompanying statement of activities for scholarship funds received and distributed from the State of Florida.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

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

- Communications, Policy and Public Affairs: This program takes the message of the scholarship program to constituency groups, community and political leaders, and local, state and national news publications. It publishes a newsletter with a circulation 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 is responsible for building community partnerships which enhance the overall scholarship experience for students and their families. The group helps train choice advocates on how to describe and defend the scholarship program through research, media/public relations, accountability, legislative/political, program implementation and community leader influence.

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

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

Comparative financial statements: The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2014, 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.

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.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

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

- 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.

Fair value of financial instruments: The Organization's financial instruments consist of cash and cash equivalents, pledges receivable, accounts and grants receivable, accounts payable, accrued expenses and deferred revenue. The fair values of the Organization's financial instruments approximate their fair values because of the short-term nature of these instruments.

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

The Organization maintains their cash accounts at 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 in the period received 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 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 and from corporations and individuals for the Alabama Opportunity Scholarship Program.

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.

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the year ended June 30, 2015. The estimated fair value of contributed services was \$4,000 for the year ended June 30, 2014, which is included in grants and other contributions in the accompanying consolidated statement of activities.

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, no allowance for uncollectible accounts was considered necessary at June 30, 2015 and 2014.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

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

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

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

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, 2015 and 2014.

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 represented land and a building located in Tampa, Florida. Assets held for sale were sold in March 2015. During the year ended June 30, 2014, Step Up For Students recorded an impairment loss of \$30,550 on the assets held for sale, which is included in the accompanying consolidated statement of functional expenses.

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 Personal Learning Scholarship Accounts Program. A personal learning scholarship account is established for each child that is awarded a special needs scholarship. As parents use these funds in accordance with State of Florida guidelines, the asset and liability are reduced accordingly.

Scholarship application and service fees: Revenue from scholarship application and service fees is recognized at the time the application is processed. The Organization refunds the scholarship application and service fees to families that do not use the scholarship within 12 months of their scholarship award. Scholarship application and service fees received and not processed are recorded as deferred revenue in the accompanying statement of financial position. Effective for the 2016 – 2017 application school year, the Organization is no longer charging these fees.

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.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

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

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

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

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before June 30, 2012.

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 2014 consolidated financial statements have been reclassified in order to conform with the 2015 presentation relating to the 2014 summarized comparative information. These reclassifications had no impact on total assets, total liabilities, total net assets, or changes in net assets previously reported.

Subsequent events: Management has assessed subsequent events through October 7, 2015, 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, 2015, Step Up For Students collected \$332,564,866 of eligible contributions and earned \$8,223 of interest on the investment of these collected funds. Step Up For Students claimed an administrative allowance of \$9,973,650 and expended \$347,578,490 for scholarships during the year ended June 30, 2015. 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.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

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

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 2014 – 2015 and 2013 – 2014 school years could not exceed \$5,272 and \$4,880, 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, 2015, the Alabama Opportunity Scholarship Fund collected \$10,687,929 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$644,110 and expended \$14,679,343 for scholarships during the year ended June 30, 2015. 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.

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	2015	2014
Furniture and equipment	\$ 912,592	\$ 790,154
Software	831,847	543,494
Leasehold improvements	11,082	11,082
	<u>1,755,521</u>	<u>1,344,730</u>
Less accumulated depreciation	(1,093,819)	(861,716)
	<u>\$ 661,702</u>	<u>\$ 483,014</u>

Depreciation expense for the years ended June 30, 2015 and 2014, was \$232,103 and \$228,119, respectively.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

Note 4. Line of Credit

Step Up For Students had a \$20,000,000 line of credit from a bank bearing interest at the one-month LIBOR interest rate plus 2%. Interest on the line of credit was payable monthly and matured on April 27, 2015. The line of credit was 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.

Note 5. Long-Term Debt

Long-term debt consisted of the following at June 30:

	2015	2014
<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. The mortgage note was paid-off in March 2015 when the mortgaged property was sold.	\$ -	\$ 722,368
Less current portion	-	(59,905)
	<u>\$ -</u>	<u>\$ 662,463</u>

Note 6. Temporarily Restricted Net Assets

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

	2015	2014
Florida Tax Credit Scholarship Program	\$ 424,620,690	\$ 338,936,332
Alabama Opportunity Scholarship Program	11,403,836	15,076,958
Communications, Policy and Public Affairs	-	186,441
Family and Community Affairs	-	9,559
	<u>\$ 436,024,526</u>	<u>\$ 354,209,290</u>

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

	2015	2014
Florida Tax Credit Scholarship Program	\$ 347,578,490	\$ 275,070,996
Alabama Opportunity Scholarship Program	15,345,454	2,583,301
Personal Learning Scholarship Accounts Program	715,673	-
Communications, Policy and Public Affairs	186,441	41,119
Family and Community Affairs	9,559	30,078
	<u>\$ 363,835,617</u>	<u>\$ 277,725,494</u>

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

Note 7. Commitments and Contingencies

Commitments: The Organization leases certain office equipment and office space under operating leases which expire at various dates through July 2020. Rent expense for the years ended June 30, 2015 and 2014, was \$476,303 and \$439,118, respectively.

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

Year Ending June 30,	Amount
2016	\$ 687,381
2017	709,189
2018	701,735
2019	718,219
2020	512,889
Thereafter	18,240
	<u>\$ 3,347,653</u>

Litigation: The State of Florida is subject to two 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 attorney general of the State of Florida is defending these cases. One of the two lawsuits was dismissed by the trial court, however, the plaintiffs have appealed. 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. In addition, legal counsel has represented that no tax credit scholarship program has been held unconstitutional by a State Supreme Court or the U.S. Supreme Court.

Note 8. Major Donors

Step Up For Students: Contributions from two major donors accounted for approximately 34.7% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2015. At June 30, 2015, 38.2% of pledges receivable are due from these major donors. No single donor accounted for more than 10% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2014.

Alabama Opportunity Scholarship Fund: Contributions from one major donor accounted for approximately 88.7% of contributions and grants – Alabama Opportunity Scholarship Program during the year ended June 30, 2015. Contributions from two major donors accounted for approximately 81.4% of contributions and grants – Alabama Opportunity Scholarship Program 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, 2015 and 2014, were \$261,388 and \$194,655, respectively, which is included in payroll taxes and employee benefits in the accompanying consolidated statement of functional expenses.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2014)

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.

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:

	Total Fair Value	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>					
June 30, 2015					
Assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2014					
Assets held for sale	\$ 580,450	\$ -	\$ -	\$ 580,450	\$ 285,982

At June 30, 2015 and 2014, the Organization had no assets or liabilities measured at fair value on a recurring basis.

Note 11. Subsequent Events

In September 2015, Step Up For Students entered into a \$20,000,000 line of credit agreement from a bank bearing interest at the one-month LIBOR interest rate plus 2%. Interest on the line of credit is payable monthly and matures on March 31, 2016. The line of credit is collateralized by substantially all the assets of Step Up For Students.

Step Up For Students, Inc. and Subsidiary

**Consolidating Statement of Financial Position
June 30, 2015**

	Step Up For Students	Alabama Opportunity Scholarship Fund	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 20,630,436	\$ 10,771,341	\$ -	\$ 31,401,777
Pledges receivable, net	406,005,093	588,513	-	406,593,606
Accounts and grants receivable	1,097,297	183,730	-	1,281,027
Prepaid expenses and other assets	228,985	-	-	228,985
Funds held in trust for students	8,963,824	-	-	8,963,824
Due from related party	42,405	-	(42,405)	-
Total current assets	436,968,040	11,543,584	(42,405)	448,469,219
Restricted Certificate of Deposit	225,000	-	-	225,000
Property and Equipment, Net	655,086	6,616	-	661,702
Total assets	\$ 437,848,126	\$ 11,550,200	\$ (42,405)	\$ 449,355,921
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 153,890	\$ 14,167	\$ -	\$ 168,057
Accrued expenses	957,781	83,176	-	1,040,957
Deferred revenue	138,318	-	-	138,318
Funds held in trust for students liability	8,963,824	-	-	8,963,824
Due to related party	-	42,405	(42,405)	-
Total current liabilities	10,213,813	139,748	(42,405)	10,311,156
Net Assets				
Unrestricted	3,013,623	6,616	-	3,020,239
Temporarily restricted	424,620,690	11,403,836	-	436,024,526
Total net assets	427,634,313	11,410,452	-	439,044,765
Total liabilities and net assets	\$ 437,848,126	\$ 11,550,200	\$ (42,405)	\$ 449,355,921

Step Up For Students, Inc. and Subsidiary

**Consolidating Statement of Activities
Year Ended June 30, 2015**

	Step Up For Students			Alabama Opportunity Scholarship Fund			Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	
Revenues and Support							
Contributions and grants:							
Florida Tax Credit Scholarship Program	\$ 9,973,650	\$ 433,254,625	\$ 443,228,275	\$ -	\$ -	\$ -	\$ 443,228,275
Alabama Opportunity Scholarship Program	-	-	-	644,110	10,632,332	11,276,442	11,276,442
Grants and other contributions	1,281,326	715,673	1,996,999	9,750	1,040,000	1,049,750	3,046,749
Scholarship application and service fees	1,477,855	-	1,477,855	1,400	-	1,400	1,479,255
Other revenue	13,165	8,223	21,388	-	-	-	21,388
Net assets released from restrictions	348,490,163	(348,490,163)	-	15,345,454	(15,345,454)	-	-
Total revenues and support	361,236,159	85,488,358	446,724,517	16,000,714	(3,673,122)	12,327,592	459,052,109
Expenses							
Program services:							
Florida Tax Credit Scholarship Program	352,766,475	-	352,766,475	-	-	-	352,766,475
Alabama Opportunity Scholarship Program	-	-	-	15,328,999	-	15,328,999	15,328,999
School Development and Student Learning	1,546,726	-	1,546,726	-	-	-	1,546,726
Personal Learning Scholarship Accounts Program	1,469,172	-	1,469,172	-	-	-	1,469,172
Communications, Policy and Public Affairs	1,202,287	-	1,202,287	98,451	-	98,451	1,300,738
Family and Community Affairs	514,906	-	514,906	364,461	-	364,461	879,367
Total program services	357,499,566	-	357,499,566	15,791,911	-	15,791,911	373,291,477
Supporting services:							
General and administrative	1,867,881	-	1,867,881	277,549	-	277,549	2,145,430
Development and fundraising	1,548,227	-	1,548,227	-	-	-	1,548,227
Total supporting services	3,416,108	-	3,416,108	277,549	-	277,549	3,693,657
Total expenses	360,915,674	-	360,915,674	16,069,460	-	16,069,460	376,985,134
Change in net assets	320,485	85,488,358	85,808,843	(68,746)	(3,673,122)	(3,741,868)	82,066,975
Net Assets							
Beginning	2,693,138	339,132,332	341,825,470	75,362	15,076,958	15,152,320	356,977,790
Ending	\$ 3,013,623	\$ 424,620,690	\$ 427,634,313	\$ 6,616	\$ 11,403,836	\$ 11,410,452	\$ 439,044,765

Step Up For Students, Inc. and Subsidiary

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2015**

Grantor/Program Title	State CSFA Number	Contract/ Grant Number	State Expenditures
State Financial Assistance			
Florida Department of Education and Commissioner of Education: Personal Learning Scholarship Accounts Program	48.113	92X-90025-5Q001	<u>\$ 6,963,693</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 6,963,693</u></u>

See Notes to Schedule of Expenditures of State Financial Assistance.

Step Up For Students, Inc. and Subsidiary

Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state financial assistance project activity of Step Up For Students, Inc. and its subsidiary (the Organization) under programs of the State of Florida for the year ended June 30, 2015. 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.



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

Independent Auditor's Report

To the Board of Directors
Step Up For Students, Inc.
Jacksonville, 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 subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Orlando, Florida
October 7, 2015



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

Independent Auditor's Report

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

Report on Compliance for Each Major State Financial Assistance Project

We have audited Step Up For Students, Inc. and its subsidiary's (the Organization) compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on the Organization's major state financial assistance project for the year ended June 30, 2015. The Organization's major state financial assistance project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state financial assistance project.

Auditor's Responsibility

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

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

Opinion on Each Major State Financial Assistance Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state financial assistance project for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

McGladrey LLP

Orlando, Florida
October 7, 2015

Step Up For Students, Inc. and Subsidiary

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

State Financial Assistance

Internal control over major programs:

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

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

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

Identification of major programs:

CSFA Number(s)
48.113

Name of State Financial Assistance Project
Personal Learning Scholarship Accounts Program

Dollar threshold used to distinguish between type A and type B state financial assistance projects: \$ 208,911

II. Financial Statement Findings

No matters were reported.

III. Findings and Questioned Costs for State Financial Assistance

No matters were reported.

IV. Other Reporting

1. No Summary Schedule of Prior Audit Findings is presented because there was no state financial assistance received by the Step Up For Students, Inc. and its subsidiary during the year ended June 30, 2014.
2. No Corrective Action Plan is presented because there were no findings required to be reported under the Florida Single Audit Act.
3. There was no management letter or control deficiency letter issued for the year ended June 30, 2015 and there were no matters required to be reported in these letters.