

Step Up For Students, Inc. and Subsidiary

Consolidated Financial Report
June 30, 2017

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	7-15

Supplementary information	
Consolidating statement of financial position	16
Consolidating statement of activities	17
Schedule of expenditures of state financial assistance	18
Notes to schedule of expenditures of state financial assistance	19

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>	20-21
---	-------

Independent auditor's report on compliance for its major state financial assistance project and report on internal control over compliance required by State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	22-23
---	-------

Schedule of findings and questioned costs	24
---	----



RSM US LLP

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, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Step Up For Students, Inc. and its subsidiary as of June 30, 2017, 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.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Report on Summarized Comparative Information

We have previously audited Step Up For Students, Inc. and its subsidiary's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 31, 2017, 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 the effectiveness of Step Up For Students, Inc. and subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Step Up For Students, Inc. and its subsidiary's internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
October 31, 2017

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2017

(With Summarized Comparative Information for June 30, 2016)

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 41,903,759	\$ 49,756,813
Pledges receivable, less allowance for uncollectible pledges of \$18,000,000 and \$26,000,000 in 2017 and 2016, respectively	436,647,533	464,498,513
Accounts and grants receivable, less allowance for uncollectible accounts of \$246,429 and \$237,719 in 2017 and 2016, respectively	1,592,791	980,432
Prepaid expenses and other assets	579,212	490,048
Funds held in trust for students	36,231,019	26,730,180
Total current assets	516,954,314	542,455,986
Restricted Certificate of Deposit	225,000	225,000
Property and Equipment, Net	1,412,992	563,536
Total assets	\$ 518,592,306	\$ 543,244,522
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 140,765	\$ 427,734
Accrued expenses	1,574,162	1,182,798
Funds held in trust for students liability	36,231,019	26,730,180
Total current liabilities	37,945,946	28,340,712
Commitments (Note 6)		
Net Assets		
Unrestricted	5,110,194	3,924,578
Temporarily restricted	475,536,166	510,979,232
Total net assets	480,646,360	514,903,810
Total liabilities and net assets	\$ 518,592,306	\$ 543,244,522

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2017

(With Summarized Comparative Information for June 30, 2016)

	2017			Total 2016
	Unrestricted	Temporarily Restricted	Total	
Revenues and Support				
Contributions and grants:				
Florida Tax Credit Scholarship Program	\$ 16,464,543	\$ 504,917,473	\$ 521,382,016	\$ 510,955,205
Alabama Opportunity Scholarship Program	441,843	7,975,013	8,416,856	7,338,896
Gardiner Scholarship Program	2,064,477	-	2,064,477	1,450,758
Grants and other contributions	566,707	956,929	1,523,636	2,030,079
Scholarship application and service fees	-	-	-	136,114
Other revenue	397,839	-	397,839	97,442
Net assets released from restrictions	549,292,481	(549,292,481)	-	-
Total revenues and support	569,227,890	(35,443,066)	533,784,824	522,008,494
Expenses				
Program services:				
Florida Tax Credit Scholarship Program	541,915,225	-	541,915,225	422,648,470
Alabama Opportunity Scholarship Program	12,492,497	-	12,492,497	12,184,450
Communications, Policy and Public Affairs	3,389,070	-	3,389,070	2,168,294
Gardiner Scholarship Program	2,688,107	-	2,688,107	1,652,036
School Development and Student Learning	1,581,306	-	1,581,306	1,676,271
Family and Community Affairs	142,578	-	142,578	728,638
Total program services	562,208,783	-	562,208,783	441,058,159
Supporting services:				
General and administrative	3,694,165	-	3,694,165	3,307,989
Development and fundraising	2,139,326	-	2,139,326	1,783,301
Total supporting services	5,833,491	-	5,833,491	5,091,290
Total expenses	568,042,274	-	568,042,274	446,149,449
Change in net assets	1,185,616	(35,443,066)	(34,257,450)	75,859,045
Net Assets				
Beginning	3,924,578	510,979,232	514,903,810	439,044,765
Ending	\$ 5,110,194	\$ 475,536,166	\$ 480,646,360	\$ 514,903,810

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

(With Summarized Comparative Information for June 30, 2016)

	2017										
	Program Services						Supporting Services				Total 2016 Expenses
	Florida Tax Credit Scholarship Program	Alabama Opportunity Scholarship Program	Communications, Policy and Public Affairs	Gardiner Scholarship Program	School Development and Student Learning	Family and Community Affairs	Total Program Services	General and Administrative	Development and Fundraising	Total Expenses	
Scholarships and grants	\$ 536,440,936	\$ 12,015,070	\$ -	\$ -	\$ -	\$ -	\$ 548,456,006	\$ -	\$ -	\$ 548,456,006	
Salaries and wages	3,026,388	161,585	1,914,731	1,876,975	917,691	57,476	7,954,846	2,179,777	1,213,372	11,347,995	9,166,476
Payroll taxes and employee benefits	837,108	22,514	442,004	407,587	243,311	17,556	1,970,080	515,612	276,431	2,762,123	1,925,976
Rent	268,340	36,878	123,317	76,964	56,755	-	562,254	142,427	72,763	777,444	668,483
Contract services	55,388	145,431	250,692	39,668	106,466	800	598,445	102,417	53,385	754,247	452,556
Travel, lodging and meals	35,447	33,549	137,037	12,499	93,148	55,337	367,017	120,991	114,967	602,975	577,965
Other costs	92,577	16,507	117,260	26,771	51,332	2,577	307,024	72,382	185,829	565,235	426,395
Recruiting and advertising	123,914	37,250	55,108	92,757	1,572	-	310,601	17,997	33,182	361,780	585,985
Telephone	185,044	5,567	46,550	19,844	25,218	3,584	285,807	35,163	35,605	356,575	288,621
Temporary labor	303,242	-	-	-	-	-	303,242	-	-	303,242	552,183
Professional fees	15,759	-	61,276	3,349	2,688	-	83,072	178,372	3,290	264,734	288,343
Insurance	93,340	2,014	42,895	33,941	19,742	1,259	193,191	44,065	25,784	263,040	238,837
Depreciation	88,135	1,068	40,504	42,073	18,641	668	191,089	42,087	23,826	257,002	292,866
Bank charges and fees	136,200	-	282	5	130	-	136,617	103,431	161	240,209	290,210
Printing and postage	15,039	9,149	71,738	3,928	17,830	2,023	119,707	52,030	52,364	224,101	182,506
Repairs and maintenance	68,381	1,622	33,954	24,565	13,417	-	141,939	53,874	26,450	222,263	171,550
Office expenses	61,316	2,793	51,722	17,860	13,365	1,298	148,354	33,540	21,917	203,811	210,065
Write-off of school receivables	68,671	1,500	-	-	-	-	70,171	-	-	70,171	252,363
Loss on disposal of property and equipment	-	-	-	9,321	-	-	9,321	-	-	9,321	98,868
Total	\$ 541,915,225	\$ 12,492,497	\$ 3,389,070	\$ 2,688,107	\$ 1,581,306	\$ 142,578	\$ 562,208,783	\$ 3,694,165	\$ 2,139,326	\$ 568,042,274	\$ 446,149,449

See notes to consolidated financial statements.

Step Up For Students, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended June 30, 2017

(With Summarized Comparative Information for June 30, 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (34,257,450)	\$ 75,859,045
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	257,002	292,866
Provision for uncollectible pledges	5,207,177	4,374,074
Write-off of school receivables	70,171	252,363
Loss on disposal of property and equipment	9,321	98,868
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	22,643,803	(62,278,981)
Accounts and grants receivable	(682,530)	48,232
Prepaid expenses and other assets	(89,164)	(261,063)
Funds held in trust for students	(9,500,839)	(17,766,356)
Increase (decrease) in liabilities:		
Accounts payable	(286,969)	259,677
Accrued expenses	391,364	141,841
Deferred revenue	-	(138,318)
Funds held in trust for students liability	9,500,839	17,766,356
Net cash (used in) provided by operating activities	(6,737,275)	18,648,604
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,115,779)	(293,568)
Net cash used in investing activities	(1,115,779)	(293,568)
Net (decrease) increase in cash and cash equivalents	(7,853,054)	18,355,036
Cash and Cash Equivalents		
Beginning	49,756,813	31,401,777
Ending	\$ 41,903,759	\$ 49,756,813

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, 2016)

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 empower parents to pursue and engage in the most appropriate learning options for their children, with an emphasis on families who lack the financial resources to access these options. By pursuing this mission, the Organization helps public education fulfill the promise of equal opportunity.

Step Up For Students, Inc. (Step Up For Students) is a not-for-profit organization incorporated on February 18, 2000. Through the Florida Tax Credit Scholarship program, Step Up For Students served 101,869 and 77,692 students in 1,730 and 1,596 private schools across Florida during the 2016 – 2017 and 2015 – 2016 school years, respectively.

Additionally, Step Up For Students administers the Gardiner Scholarship Program (previously known as the Personal Learning Scholarship Accounts Program). The Gardiner Scholarship Program was created to provide the option for parents to better meet the individual educational needs of an eligible child. The Gardiner Scholarship Program provides eligible students a scholarship that can be used to purchase approved services or products. During the years ended June 30, 2017 and 2016, Step Up For Students administered the program on behalf of the State of Florida for 7,593 and 4,916 eligible children, respectively.

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 2,141 and 2,130 children received scholarships to attend private schools for the 2016 – 2017 and 2015 – 2016 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 2016 – 2017 school year and the 2015 – 2016 school year, qualified students received a maximum scholarship of \$5,886 and \$5,677, 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, 2016)

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.
- **Gardiner Scholarship Program:** In June 2014, legislation creating scholarships for special needs children was signed into law in Florida. This scholarship is for Florida students in kindergarten through 12th grade with one of the following disabilities: Autism, Muscular Dystrophy, Cerebral palsy, Down syndrome, Prader-Willi syndrome, Spina bifida, Williams syndrome 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 Gardiner Scholarship account is established for each child that is awarded a special needs scholarship. Parents use this money to personalize the education of their children with unique abilities by directing money towards a combination of programs and state approved providers. These include schools, therapists, specialists, curriculum and technology and college savings accounts. Step Up For Students began administering this program in July 2014.

Step Up For Students, per the provisions of state statute, receives an administrative fee of 3% of funded scholarships from the State of Florida to cover the administration of the program on behalf of the State of Florida. During the years ended June 30, 2017 and 2016, Step Up For Students received an administrative fee for administering the program on behalf of the State of Florida in the amount of approximately \$2,064,000 and \$1,451,000, respectively.

During the years ended June 30, 2017 and 2016, Step Up For Students distributed approximately \$58.7 million and \$29.1 million, leaving a balance of approximately \$36.2 million and \$26.7 million, respectively, which is recorded in the accompanying consolidated statement of financial position as both an asset and liability. Step Up For Students is acting as an agent for this program, therefore, there are no revenues and expenses reported on the accompanying 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, 2016)

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 in excess of 50,000, 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, 2016, 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.

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.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2016)

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

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 three commercial banks, which are insured by the Federal Deposit Insurance Corporation (FDIC). Balances exceed amounts insured by the FDIC and the Organization has not experienced any losses on such accounts. To help reduce any potential losses, excess balances are swept into a money market fund which is invested in U.S. Government Obligations.

Pledges receivable, contributions and grants: Contributions and grants are recorded in the period received at fair value as unrestricted or temporarily 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 restricted net assets depending on the nature of the restrictions. When time restrictions expire or purpose restrictions are fulfilled, 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, from corporations and individuals for the Alabama Opportunity Scholarship Program, and from private foundations.

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

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the years ended June 30, 2017 and 2016.

Accounts and grants receivable: Accounts and grants receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is established based upon management's analysis of specific accounts and other economic factors. In the opinion of management, an allowance for uncollectible accounts of \$246,429 and \$237,719 was considered necessary at June 30, 2017 and 2016, respectively.

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

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2016)

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

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

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups have been recognized during the years ended June 30, 2017 and 2016.

Funds held in trust for students and funds held in trust for students liability: Funds held in trust for students and funds held in trust for students liability represents funds received for the Gardiner Scholarship Program. A Gardiner 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.

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.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2016)

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

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, 2014.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Organization is currently evaluating the impact this ASU will have on the Organization's consolidated financial statements.

The FASB has issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends guidance on the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 replaces the currently required three net asset classes with two net asset classes, *net assets with donor restrictions* and *net assets without donor restrictions*. Other amendments within ASU 2016-14 will improve the usefulness of information provided to donors, grantors, creditors, and other users of a not-for-profit's financial statements. The new guidance is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Organization is currently evaluating the impact of the adoption of ASU 2016-14 on its consolidated financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU's described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

Subsequent events: Management has assessed subsequent events through October 31, 2017, the date the consolidated financial statements were available to be issued.

Step Up For Students, Inc. and Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2016)

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, 2017, Step Up For Students collected \$548,818,096 of eligible contributions. Step Up For Students claimed an administrative allowance of \$16,464,543 and expended \$536,440,936 for scholarships during the year ended June 30, 2017. During the year ended June 30, 2016, Step Up For Students collected \$454,389,285 of eligible contributions. Step Up For Students claimed an administrative allowance of \$13,631,679 and expended \$417,696,212 for scholarships during the year ended June 30, 2016.

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 2016 – 2017 and 2015 – 2016 school years could not exceed \$5,886 and \$5,677, 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, 2017, the Alabama Opportunity Scholarship Fund collected \$8,832,356 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$441,843 and expended \$12,015,070 for scholarships during the year ended June 30, 2017. During the year ended June 30, 2016, the Alabama Opportunity Scholarship Fund collected \$5,999,909 of eligible contributions. The Alabama Opportunity Scholarship Fund claimed an administrative allowance of \$317,551 and expended \$11,757,389 for scholarships during the year ended June 30, 2016.

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 Subsidiary

Notes to Consolidated Financial Statements

(With Summarized Comparative Information as of or for Year Ended June 30, 2016)

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	2017	2016
Furniture and equipment	\$ 1,329,889	\$ 1,085,511
Software	1,576,622	809,491
Leasehold improvements	58,625	55,219
	<u>2,965,136</u>	<u>1,950,221</u>
Less accumulated depreciation	(1,552,144)	(1,386,685)
	<u>\$ 1,412,992</u>	<u>\$ 563,536</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$257,002 and \$292,866, respectively.

Note 4. Line of Credit

In September 2016, Step Up For Students entered into a \$32,000,000 line of credit agreement with a bank bearing interest at the one-month LIBOR interest rate plus 1.5% (2.56% at June 30, 2017). Interest on the line of credit is payable monthly and matures on August 30, 2018. The line of credit is collateralized by substantially all the assets of Step Up For Students. There was no outstanding balance on the line of credit at June 30, 2017.

Note 5. Temporarily Restricted Net Assets

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

	2017	2016
Florida Tax Credit Scholarship Program	\$ 472,385,063	\$ 503,986,278
Alabama Opportunity Scholarship Program	2,669,334	6,293,904
Communications, Policy and Public Affairs	481,769	699,050
	<u>\$ 475,536,166</u>	<u>\$ 510,979,232</u>

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

	2017	2016
Florida Tax Credit Scholarship Program	\$ 536,518,688	\$ 417,957,938
Alabama Opportunity Scholarship Program	12,546,988	12,561,277
Communications, Policy and Public Affairs	226,805	22,832
	<u>\$ 549,292,481</u>	<u>\$ 430,542,047</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, 2016)

Note 6. 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, 2017 and 2016, was \$777,444 and \$668,483, respectively.

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

Years Ending June 30:	Amount
2018	\$ 732,535
2019	747,969
2020	532,723
2021	18,240
	<u>\$ 2,031,467</u>

Note 7. Major Donors

Step Up For Students: Contributions from two major donors accounted for approximately 41.2% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2017. At June 30, 2017, approximately 47.4% of pledges receivable are due from these major donors. Contributions from three major donors accounted for approximately 46.5% of contributions and grants – Florida Tax Credit Scholarship Program during the year ended June 30, 2016. At June 30, 2016, approximately 49.1% of pledges receivable are due from these major donors.

Alabama Opportunity Scholarship Fund: Contributions from two major donors accounted for approximately 59.4% of contributions and grants – Alabama Opportunity Scholarship Program during the year ended June 30, 2017. Contributions from three major donors accounted for approximately 61.3% of contributions and grants – Alabama Opportunity Scholarship Program during the year ended June 30, 2016.

Note 8. 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, 2017 and 2016, were \$479,985 and \$350,393, 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

**Consolidating Statement of Financial Position
June 30, 2017**

	Step Up For Students	Alabama Opportunity Scholarship Fund	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 41,063,768	\$ 839,991	\$ -	\$ 41,903,759
Pledges receivable, net	435,135,533	1,512,000	-	436,647,533
Accounts and grants receivable, net	1,255,195	337,596	-	1,592,791
Prepaid expenses and other assets	546,806	32,406	-	579,212
Funds held in trust for students	36,231,019	-	-	36,231,019
Due from related party	-	79	(79)	-
Total current assets	514,232,321	2,722,072	(79)	516,954,314
Restricted Certificate of Deposit	225,000	-	-	225,000
Property and Equipment, Net	1,407,285	5,707	-	1,412,992
Total assets	\$ 515,864,606	\$ 2,727,779	\$ (79)	\$ 518,592,306
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 140,765	\$ -	\$ -	\$ 140,765
Accrued expenses	1,516,786	57,376	-	1,574,162
Funds held in trust for students liability	36,231,019	-	-	36,231,019
Due to related party	79	-	(79)	-
Total current liabilities	37,888,649	57,376	(79)	37,945,946
Net Assets				
Unrestricted	5,109,125	1,069	-	5,110,194
Temporarily restricted	472,866,832	2,669,334	-	475,536,166
Total net assets	477,975,957	2,670,403	-	480,646,360
Total liabilities and net assets	\$ 515,864,606	\$ 2,727,779	\$ (79)	\$ 518,592,306

Step Up For Students, Inc. and Subsidiary

**Consolidating Statement of Activities
Year Ended June 30, 2017**

	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	\$ 16,464,543	\$ 504,917,473	\$ 521,382,016	\$ -	\$ -	\$ -	\$ 521,382,016
Alabama Opportunity Scholarship Program	-	-	-	441,843	7,975,013	8,416,856	8,416,856
Gardiner Scholarship Program	2,064,477	-	2,064,477	-	-	-	2,064,477
Grants and other contributions	564,387	9,524	573,911	2,320	947,405	949,725	1,523,636
Other revenue	397,775	-	397,775	64	-	64	397,839
Net assets released from restrictions	536,745,493	(536,745,493)	-	12,546,988	(12,546,988)	-	-
Total revenues and support	556,236,675	(31,818,496)	524,418,179	12,991,215	(3,624,570)	9,366,645	533,784,824
Expenses							
Program services:							
Florida Tax Credit Scholarship Program	541,915,225	-	541,915,225	-	-	-	541,915,225
Alabama Opportunity Scholarship Program	-	-	-	12,492,497	-	12,492,497	12,492,497
Communications, Policy and Public Affairs	3,288,203	-	3,288,203	100,867	-	100,867	3,389,070
Gardiner Scholarship Program	2,688,107	-	2,688,107	-	-	-	2,688,107
School Development and Student Learning	1,581,306	-	1,581,306	-	-	-	1,581,306
Family and Community Affairs	-	-	-	142,578	-	142,578	142,578
Total program services	549,472,841	-	549,472,841	12,735,942	-	12,735,942	562,208,783
Supporting services:							
General and administrative	3,581,075	-	3,581,075	113,090	-	113,090	3,694,165
Development and fundraising	2,016,945	-	2,016,945	122,381	-	122,381	2,139,326
Total supporting services	5,598,020	-	5,598,020	235,471	-	235,471	5,833,491
Total expenses	555,070,861	-	555,070,861	12,971,413	-	12,971,413	568,042,274
Change in net assets	1,165,814	(31,818,496)	(30,652,682)	19,802	(3,624,570)	(3,604,768)	(34,257,450)
Net Assets							
Beginning	3,943,311	504,685,328	508,628,639	(18,733)	6,293,904	6,275,171	514,903,810
Ending	\$ 5,109,125	\$ 472,866,832	\$ 477,975,957	\$ 1,069	\$ 2,669,334	\$ 2,670,403	\$ 480,646,360

Step Up For Students, Inc. and Subsidiary

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2017**

Grantor/Program Title	State CSFA Number	Contract/ Grant Number	State Expenditures
State Financial Assistance			
Florida Department of Education and Commissioner of Education: Gardiner Scholarship Program	48.113	92X-90025-7D001	<u>\$ 60,731,295</u>
Total expenditures of state financial assistance			<u><u>\$ 60,731,295</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, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

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

Step Up For Students is acting as an agent for 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. The expenditures reported as state financial assistance on the Schedule represent amounts distributed for reimbursement of program-related educational expenditures on behalf of eligible children which totaled \$58,666,818 and \$2,064,477 received from the State of Florida which was used to pay administrative expenses for the administration of the program on behalf of the State of Florida.

**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, 2017, 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 31, 2017.

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.

RSM US LLP

Orlando, Florida
October 31, 2017

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

Independent Auditor's Report

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

Report on Compliance for its 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, 2017. The Organization's major state financial assistance project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state financial assistance project.

Auditor's Responsibility

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

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

Opinion on its Major State Financial Assistance Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state financial assistance project for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

Orlando, Florida
October 31, 2017

Step Up For Students, Inc. and Subsidiary

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

State Financial Assistance

Internal control over major program:

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

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

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

Identification of major program:

<u>CSFA Number(s)</u>	<u>Name of State Financial Assistance Project</u>
48.113	Gardiner Scholarship Program

Dollar threshold used to distinguish between type A and type B state financial assistance projects: \$ 1,821,939

II. Financial Statement Findings

No matters to report.

III. Findings and Questioned Costs for State Financial Assistance

No matters to report.

IV. Other Reporting

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to state financial assistance projects.
2. No Corrective Action Plan is presented because there were no findings required to be reported under the Florida Single Audit Act.
3. There was no management letter or control deficiency letter issued for the year ended June 30, 2017, and there were no matters required to be reported in these letters.