

STEP UP SUNCOAST, INC.
AUDITED FINANCIAL STATEMENTS
ALL PROGRAMS
FOR THE YEAR ENDED
DECEMBER 31, 2019

STEP UP SUNCOAST, INC.
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Step Up Suncoast, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Step Up Suncoast, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Step Up Suncoast, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note A to the financial statements, Step Up Suncoast, Inc. adopted new accounting guidance under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* during 2019. Our opinion is not modified with respect to these matters.

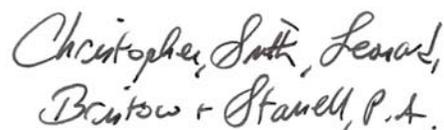
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and other grants, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020, on our consideration of Step Up Suncoast, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Step Up Suncoast, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Step Up Suncoast, Inc.'s internal control over financial reporting and compliance.



CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 25, 2020
Bradenton, Florida

STEP UP SUNCOAST, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	445,604
Grants receivable		673,436
Promises to give, net – current portion		11,000
Prepaid expenses		105,121
Total current assets		1,235,161

Promises to give, net – long-term portion		29,458
Land, buildings, and equipment, net		1,744,942
Deposits		56,111
		1,828,511

TOTAL ASSETS	\$	3,065,672
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	112,547
Accrued payroll and taxes		453,920
Accrued expenses		190,000
Current portion of note payable		54,623
Refundable advances		44,622
Total current liabilities		855,712

LONG-TERM DEBT

Note payable – long-term portion		410,132
		410,132

TOTAL LIABILITIES		1,265,844
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NET ASSETS

Net assets without donor restrictions		1,712,793
Net assets with donor restrictions		87,035
Total net assets		1,799,828

TOTAL LIABILITIES AND NET ASSETS	\$	3,065,672
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The accompanying notes are an integral part of these financial statements.

STEP UP SUNCOAST, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

CHANGES IN NET ASSETS:

REVENUE	Without Donor Restrictions	With Donor Restrictions	Total
Grants and contracts	\$ 14,945,056	\$ 32,425	\$ 14,977,481
In-kind contributions	1,215,972	-	1,215,972
Program income	440,954	-	440,954
Donations and gifts	25,930	36,174	62,104
Special event revenue	22,840	11,662	34,502
Less direct benefits to donors	(5,517)	-	(5,517)
Miscellaneous income	12,663	-	12,663
Net assets released from restrictions	48,465	(48,465)	-
TOTAL REVENUE	16,706,363	31,796	16,738,159
EXPENSES AND LOSSES			
PROGRAM SERVICES			
Early childhood education	7,610,877	-	7,610,877
Training and family support	3,108,377	-	3,108,377
Client assistance	1,846,736	-	1,846,736
Food services	548,092	-	548,092
Housing assistance	337,141	-	337,141
Volunteer services	46,677	-	46,677
Donated space, supplies and other	1,159,277	-	1,159,277
Total program services	14,657,177	-	14,657,177
SUPPORTING SERVICES			
General and administrative	1,634,319	-	1,634,319
Fundraising	137,483	-	137,483
Depreciation	197,342	-	197,342
Donated space, supplies and other	10,018	-	10,018
Total supporting services	1,979,162	-	1,979,162
TOTAL EXPENSES	16,636,339	-	16,636,339
Loss on disposal of land, buildings and equipment	15,353	-	15,353
TOTAL EXPENSES AND LOSSES	16,651,692	-	16,651,692
TOTAL CHANGE IN NET ASSETS	54,671	31,796	86,467
NET ASSETS, Beginning of year	1,658,122	55,239	1,713,361
NET ASSETS, End of year	\$ 1,712,793	\$ 87,035	\$ 1,799,828

The accompanying notes are an integral part of these financial statements.

STEP UP SUNCOAST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL
	EARLY CHILDHOOD EDUCATION	TRAINING AND FAMILY SUPPORT	CLIENT ASSISTANCE	FOOD SERVICES	HOUSING ASSISTANCE	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND-RAISING	
Personnel	\$ 4,697,660	\$ 1,897,078	\$ 457,423	\$ 175,289	\$ 54,483	\$ 7,281,933	\$ 998,561	\$ 69,482	\$ 8,349,976
Taxes/fringe benefits	1,344,233	467,366	116,469	46,339	14,053	1,988,460	209,452	15,726	2,213,638
Transportation and travel	70,430	74,810	4,810	1,662	1,613	153,325	15,105	1,364	169,794
Supplies	14,215	18,623	6,194	-	924	39,956	36,206	1,009	77,171
Contractual	8,643	13,312	5,755	-	218,453	246,163	19,925	2,968	269,056
Professional	41,656	14,064	5,617	2,465	32,910	96,712	2,923	318	99,953
Occupancy	365,429	215,385	39,358	2,679	7,607	630,458	213,187	3,123	846,768
Insurance	109,059	15,196	3,020	6,249	3,993	137,517	30,679	203	168,399
Dues and subscriptions	2,525	12,677	619	-	109	15,930	11,777	1,415	29,122
Program supplies	461,816	197,342	4,087	1,154	128	664,527	-	-	664,527
Program services	2,321	-	-	300	-	2,621	-	-	2,621
Food/Non-food	458	-	-	300,892	-	301,350	-	-	301,350
Tuition, seminars, development	129,281	14,956	2,643	14	24	146,918	10,486	3,940	161,344
Assistance	69	94,143	1,176,759	-	-	1,270,971	-	-	1,270,971
Equipment and vehicle leases	7,609	14,572	5,728	8,343	372	36,624	7,806	-	44,430
Computer maintenance and support	41,096	29,791	10,952	136	1,737	83,712	22,816	9,214	115,742
Repair and maintenance	280,156	10,564	1,867	2,160	290	295,037	16,052	1,437	312,526
Taxes and licenses	425	68	-	118	-	611	69	-	680
Printing and postage	2,747	6,735	4,793	89	445	14,809	2,801	2,331	19,941
Fundraising	-	-	-	-	-	-	-	21,491	21,491
Other costs	31,049	11,695	642	203	-	43,589	36,474	3,462	83,525
	<u>7,610,877</u>	<u>3,108,377</u>	<u>1,846,736</u>	<u>548,092</u>	<u>337,141</u>	<u>13,451,223</u>	<u>1,634,319</u>	<u>137,483</u>	<u>15,223,025</u>
Volunteer services	19,339	-	27,338	-	-	46,677	-	-	46,677
Donated space, supplies, and other	1,158,837	440	-	-	-	1,159,277	1,758	8,260	1,169,295
Depreciation	-	-	-	-	-	-	197,342	-	197,342
	<u>1,178,176</u>	<u>440</u>	<u>27,338</u>	<u>-</u>	<u>-</u>	<u>1,205,954</u>	<u>199,100</u>	<u>8,260</u>	<u>1,413,314</u>
Allocation of supporting services	973,999	393,962	239,457	60,583	42,749	1,710,750	(1,728,183)	17,433	-
	<u>\$ 9,763,052</u>	<u>\$ 3,502,779</u>	<u>\$ 2,113,531</u>	<u>\$ 608,675</u>	<u>\$ 379,890</u>	<u>\$ 16,367,927</u>	<u>\$ 105,236</u>	<u>\$ 163,176</u>	<u>\$ 16,636,339</u>

The accompanying notes are an integral part of these financial statements.

STEP UP SUNCOAST, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	86,467
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		197,342
Loss on disposal of land, buildings, and equipment		15,353
(Increase) decrease in operating assets:		
Grants receivable		594,490
Promises to give		5,867
Prepaid expenses		(14,704)
Deposits		581
Increase (decrease) in operating liabilities:		
Accounts payable		4,136
Accrued payroll and taxes		92,456
Accrued expenses		25,381
Refundable advances		(291,860)
Net cash provided (used) by operating activities		715,509

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of land, buildings, and equipment		2,200
Purchases of land, buildings, and equipment		(354,385)
Net cash provided (used) by investing activities		(352,185)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on note payable		(51,478)
Net cash provided (used) by financing activities		(51,478)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

311,846

CASH AND CASH EQUIVALENTS, Beginning of year

133,758

CASH AND CASH EQUIVALENTS, End of year

\$ 445,604

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid	\$	29,255
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SUPPLEMENTAL NON-CASH INFORMATION:

Non-cash operating activities - In-kind contributions and expenses	\$	1,215,972
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The accompanying notes are an integral part of these financial statements.

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Structure

Step Up Suncoast, Inc. (the Organization) is a not-for-profit corporation incorporated under the laws of the State of Florida and organized exclusively for charitable purposes. Management consists of a Board of Directors who are elected by the membership of the corporation as prescribed in its bylaws. The Organization empowers individuals and families to achieve long-term economic stability through education, support services, and community partnerships utilizing a wide variety of services and programs to families in Manatee, Hardee, DeSoto, Sarasota and Charlotte Counties.

Basis of Accounting

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. The financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Administrative costs are charged by the Organization to its programs for fiscal and administrative expenses incurred in performing its functions. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, as applicable.

Changes in Accounting Principles

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606), and all subsequently issued clarifying ASUs related to Topic 606 which replaced most existing revenue recognition guidance for exchange transactions in accounting principles generally accepted in the United States of America (GAAP). This ASU requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. This ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this ASU effective January 1, 2019, the first day of the Organization's fiscal year, using the full retrospective method. A practical expedient was applied for revenue contracts that began and ended in the same year. Though these contracts were not restated, the effect of applying this expedient was not significant to the financial statements. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized Topic 606.

Also effective January 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides criteria for evaluating when a transaction should be reported as an exchange transaction or contribution. It also provides criteria for determining whether a contribution is conditional.

The adoption of ASU 2014-09 or ASU 2018-08 did not affect the amounts previously reported as net assets reported as of December 31, 2018.

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable consist mainly of amounts due for reimbursement for services provided in accordance with federal and state grant programs. Grants receivables are stated at the amount management expects to collect on outstanding balances. Management deems substantially all of the grants receivable at December 31, 2019 to be fully collectible, and as a result, no allowance for doubtful accounts has been established.

Promises to Give

Promises to give are recorded at net realizable value. Unconditional promises to give are recognized as donations and gifts in the period received. Conditional promises to give are recognized when the barrier is overcome or the conditions on which they depend are substantially met. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. At December 31, 2019, all promises to give are considered fully collectible, and as a result, no allowance for doubtful accounts has been established.

Land, Buildings, and Equipment

For financial reporting purposes, all expenditures for land, buildings, and equipment with an estimated useful life of longer than one year and in excess of \$5,000 are capitalized at cost, if purchased, and fair value at the date of donation, if donated. Federal funding agencies providing funds for purchased assets may maintain an interest in the assets purchased with grant monies.

Depreciation is computed by the straight-line method, at rates based on the following estimated useful lives:

Furniture and equipment	3-10 years
Transportation equipment	5 years
Leasehold improvements	20 years
Buildings	10-39 years
Modular buildings	10-20 years

Refundable Advances

The Organization receives advances on grant/contract awards to meet the cash flow needs of the Organization. As a result, these amounts are recorded as refundable advances in the statement of financial position until the amounts are actually spent as part of the agreement, at which time revenue is recognized. If amounts are not entirely spent by the end of the award period, a refund of the unused portion is issued.

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

The Organization receives substantially all of its revenue in the form of Federal, State and local grants and contracts. The Organization uses the guidance in ASU 2018-08 to determine if a transaction is either an exchange transaction or a non-exchange transaction.

Exchange transactions are reported as revenues from contracts from customers under Topic 606. The Organization records revenue from exchange transactions based on a five-step model for its customers with contracts: identify the contract, identify performance obligations, determine the transaction price, allocate the contract transaction price to the performance obligations, and recognize the revenue when control of goods or services is transferred to the customer.

Program income constitutes an exchange transaction for administering the Voluntary Prekindergarten (VPK) program at select locations in Manatee County for the benefit of Early Learning Coalitions. The administration of the VPK program constitutes a performance obligation that is satisfied over-time, as actual hours of student attendance transpire (an output method) with consideration received on a monthly basis. Changes in attendance or state appropriations to the VPK program may significantly affect the amount and timing of the exchanged consideration. As of December 31, 2019 and 2018, the Organization recorded receivables of \$45,026 and \$48,904, respectively, relating to its administration of the VPK program.

Non-exchange transactions include certain grants and contracts, in-kind contributions, and donations and gifts. The Organization recognizes grants and contracts revenue either based on the terms of the contract service period or to the extent that expenses have been incurred and the resulting revenue earned. Unconditional donations and gifts are recognized at the time when a donor makes a cash donation or an unconditional promise to give to the Organization. Conditional promises to give are recognized as revenue when the barrier is overcome or the conditions on which they depend are substantially met. Donor restricted donations and gifts whose restrictions are met in the same period are reported as changes in net assets without donor restrictions in these financial statements. Donor restricted contributions whose restrictions are not yet met are reported as changes in net assets with donor restrictions until the restriction is met. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions

In-Kind contributions are made up of non-cash donations, donated labor and advantageous rates on rental facilities. The non-cash donations are valued at their fair market value at the time of donation. Professional services are valued at hourly rates that would have been paid for comparable services. In-Kind contributions from advantageous rental rates are valued at the difference between the fair market value of the rental space and the amounts actually paid. In-Kind contributions are recorded as both support and an expense.

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In-Kind Contributions – Continued

Numerous volunteers have donated time to the Organization’s various programs. Certain amounts are not recognized in the accompanying statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied. Although these amounts have not been reflected in the financial statements, management determined the fair value of those services to be \$36,775 for the year ended December 31, 2019.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in the statement of activities. The expenses allocated included depreciation, insurance, occupancy and repairs and maintenance, which are allocated on a square-footage basis, as well as salaries and related benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. The Organization is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Organization has adopted guidance issued pursuant to Accounting Standards Codification (ASC) 740 on accounting for uncertain tax positions. Management believes the organization has no material uncertain tax positions, including any potential loss of its tax exempt status. The Organization has no ongoing federal, state or local tax audits; however, the Organization’s tax returns for the three previous years remain open to examination.

Estimates

The preparation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – PROMISES TO GIVE, NET

Promises to give that are receivable in more than one year are discounted at 2.48% and as of December 31, 2019, consisted of the following:

Receivable in less than one year	\$ 11,000
Receivable in one to five years	32,500
Receivable in six to ten years	<u>-0-</u>
	43,500
Less discounts to net present value	<u>(3,042)</u>
Net promises to give	<u>\$ 40,458</u>

**STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE C – LAND, BUILDINGS AND EQUIPMENT, NET

The following is a summary of land, buildings, and equipment and accumulated depreciation as of December 31, 2019:

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 122,851	\$ -0-	\$ 122,851
Land improvements	68,801	996	67,805
Buildings	1,359,970	520,043	839,927
Building improvements	396,051	73,828	322,223
Equipment	79,455	61,508	17,947
Furniture and fixtures	6,850	2,854	3,996
Leasehold improvements	520,172	216,002	304,170
Modular building	251,908	251,908	-0-
Playground equipment	258,385	203,252	55,133
Vehicles	86,418	75,528	10,890
Total	<u>\$ 3,150,861</u>	<u>\$ 1,405,919</u>	<u>\$ 1,744,942</u>

Depreciation expense for 2019 was \$197,342.

NOTE D – LINE OF CREDIT AGREEMENT

The Organization has an open line of credit with Chase Bank not to exceed \$750,000 and is secured by all of the Organization's real estate in the State of Florida. All unpaid principal and interest on the line of credit is due and payable on October 4, 2020. Interest is charged at the adjusted LIBOR rate (1.7543% at December 31, 2019) plus 4.667% per annum. During the year ended December 31, 2019, amounts were drawn and repaid, however, there was no amount outstanding as of December 31, 2019.

NOTE E – NOTE PAYABLE

During 2017, the Organization entered into a \$600,000, ten-year fixed mortgage for the purchase of property with principal and interest payments to be paid monthly in the amount of \$6,420. The note matures on March 1, 2027 and interest is fixed at 5.109%. The note is secured by the related property with a net book value of \$564,028 at December 31, 2019. Future principal maturities of the note payable are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2020	\$ 54,623
2021	57,480
2022	60,486
2023	63,650
2024	66,979
Thereafter	<u>161,537</u>
Total	464,755
Less current portion	<u>54,623</u>
Note payable, long-term portion	<u>\$ 410,132</u>

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F – LEASES

The Organization leases office space and other facilities under several non-cancellable operating leases, which expire from 2020 through 2024. Rental expense for these operating leases for the year ended December 31, 2019 was \$586,168. Future minimum lease payments are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2020	\$ 465,519
2021	\$ 439,661
2022	\$ 448,092
2023	\$ 456,693
2024	\$ 191,795

Two of the non-cancelable building operating leases entered into during 2017, each with an initial term of seven years, have an option to renew for an additional three years. The optional three year term portions include total monthly lease payments which range from \$37,591 to \$39,109 and total \$1,380,516. Additionally, the Organization is responsible for monthly operating expenses which are currently estimated to be approximately \$135,000 annually.

The Organization also leases copying and other equipment under several operating leases, which expire from 2020 through 2022. Lease expense under these equipment leases amounted to \$85,445 for the year ended December 31, 2019. Future minimum lease payments applicable to vehicles and equipment are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2020	\$ 5,609
2021	\$ 4,065
2022	\$ 1,016

The Organization has entered into certain equipment maintenance agreements and service contracts that extend beyond one year. These contracts expire from 2020 to 2021. Expense under these contracts for the year ended December 31, 2019 was \$199,767. Future minimum payments on these agreements are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2020	\$ 68,962
2021	\$ 10,076

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions are restricted for time restrictions in the form of promises to give totaling \$40,458 and \$46,577 in cash and cash equivalents for donor imposed specified purposes. Net assets released from restriction during the year ended December 31, 2019 were \$48,465.

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan. The plan is qualified under section 403(b) of the Internal Revenue Code. Employer contributions are elective and management establishes the amount to be funded annually. Contributions are made to the account of each individual employee, based on a percentage of their annual compensation level. An employee must have one year of service with the Organization before the employer contribution will be made on their behalf. Employees may also contribute to the Plan. The Organization contributed \$560,303 for the year ended December 31, 2019.

NOTE I – RECONCILIATION OF EXPENSES ON THE STATEMENT OF ACTIVITIES TO COSTS REPORTED ON GRANT AND CONTRACT REPORTS

Generally accepted accounting principles require the capitalization of equipment acquired during the year with depreciation expense recorded over its estimated useful life. Total program costs as reported on the grant and contract reports include the cost of equipment as an operating expense in the year of acquisition. Total expenses on the reports are reconciled as follows:

Total expenses on the Statement of Activities	\$ 16,636,339
Plus: Capital expenditures for the year:	
Head Start	356,620
Other grants	7,600
Non-professional volunteer services	36,775
Less: Depreciation expense	<u>(197,342)</u>
Total program costs as reported on the grant and contract reports	<u>\$ 16,839,992</u>

NOTE J – RECONCILIATION OF HEAD START STATEMENT OF FUNCTIONAL EXPENSES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS

Early Childhood Education expenses on Statement of Functional Expenses	\$ 9,763,052
In-kind expenses on the Statement of Functional Expenses	(1,178,176)
Fixed asset additions (cash purchases)	346,786
Head Start reimbursement of USDA expenditures	70,702
Non-federal reimbursements (net)	<u>(634,314)</u>
Head Start expenses on Schedule of Federal Awards	<u>\$ 8,368,050</u>

NOTE K – HEAD START MATCH

The Organization provided \$634,104 of actual cash match and \$1,214,951 of non-cash match for a total of \$1,849,055 that qualified as Non-Federal Match for the Head Start program. All In-Kind match requirements were met.

NOTE L – CONCENTRATION OF CREDIT RISK – CASH

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times throughout the year, the Organization's cash balances may exceed insured limits. Management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE M – CONCENTRATION OF RISK

Revenue sources:

A significant amount of the Organization's revenues are in the form of grants from federal and state sources to serve specified geographical areas within the various grants. The ability to continue operations, if the grant programs were lost or canceled, is dependent upon the Organization's ability to generate other unrestricted funds.

Labor:

Certain Head Start and Early Head Start program employees are covered under a collective bargaining agreement, which expires February 11, 2021.

NOTE N – CONTINGENCIES

From time to time, the Organization is involved in litigation and regular investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effects on the Organization's future financial position or results of operations.

NOTE O – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Financial assets at December 31, 2019	\$ 3,065,672
Less those unavailable for general expenditure within one year due to:	
Restricted by donor with time or purpose restrictions	87,035
Less assets that are not in spendable form:	
Prepaid expenses	105,121
Land, buildings, and equipment	1,744,942
Deposits	<u>56,111</u>
	<u>\$ 1,072,463</u>

The Organization receives contributions throughout the year that may be subject to donor restriction. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due within the next year. The Organization is able to request funds through a line of credit agreement in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

STEP UP SUNCOAST, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE P – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 25, 2020, which is the date the financial statements were available to be issued.

As of June 25 2020, the date through which the Organization has evaluated events occurring subsequent to the balance sheet date, the Organization is evaluating the risks associated with COVID-19. The Organization is in the process of implementing risk mitigation tactics for the Organization as to the risk of the impact, if any, of COVID-19 related to all aspects of the Organization's business transactions with donors, vendors and human interactions within and outside of the Organization. However, the Organization cannot at this time, make a determination on the ultimate impacts of COVID-19 pandemic.

SUPPLEMENTAL INFORMATION

STEP UP SUNCOAST, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM AWARD	GRANT FISCAL PERIOD	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES	GRANT REVENUE
FEDERAL AGENCIES							
U.S. Department of Health and Human Services:							
Head Start and Early Head Start	93.600	04CH10042-05-03	5,360,229	01/01/19-12/31/19	\$ -	\$ 5,360,229	\$ 5,360,229
Early Head Start (Expansion 1)	93.600	04HP000083-03-00	1,667,890	09/01/19-08/31/20	-	544,157	544,157
Early Head Start (Expansion 1)	93.600	04HP000083-02-01	1,899,314	09/01/18-08/31/19	-	1,257,621	1,257,621
Early Head Start (Expansion 2)	93.600	04HP000151-01-00	2,070,574	03/01/19-02/29/20	-	1,206,043	1,206,043
Subtotal Direct Programs					-	8,368,050	8,368,050
Pass-through programs from:							
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Community Services Block Grant	93.569	17SB-0D-12-00-04-115	2,505,664	10/01/16-09/30/20	-	546,886	546,886
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Low Income Home Energy Assistance (LIHEAP)	93.568	17EA-0F-08-51-04-016	5,332,449	03/01/17-09/30/20	-	1,195,910	1,195,910
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Low Income Home Energy Assistance (WAP-LIHEAP)	93.568	17WX-0G-12-00-04-017	1,370,125	04/01/17-09/30/20	-	312,783	312,783
Florida Association of Healthy Start Coalitions							
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	13-11-FY1819	1,930,500	04/01/18-09/29/19	-	1,052,834	1,052,834
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	13-11-FY1920	1,193,333	09/30/19-09/29/20	-	319,502	319,502
University of South Florida, Home Instruction for Parents of Preschool Youngsters, Temporary Assistance for Needy Families	93.558	5830-1539-01-A	290,000	07/01/18-06/30/19	-	160,099	160,099
	93.558	5830-1539-11-A	290,000	07/01/19-06/30/20	-	131,888	131,888
Ounce of Prevention Fund of Florida, Healthy Families Florida, Promoting Safe and Stable Families	93.556	HF-15-20-16	45,889	07/01/18-06/30/19	-	22,487	22,487
Promoting Safe and Stable Families	93.556	HF-15-20-16	45,889	07/01/19-06/30/20	-	25,157	25,157
Temporary Assistance for Needy Families	93.558	HF-15-20-16	295,291	07/01/18-06/30/19	-	144,701	144,701
Temporary Assistance for Needy Families	93.558	HF-15-20-16	295,291	07/01/19-06/30/20	-	161,885	161,885
Total pass-through programs- U.S. Department of Health and Human Services					-	4,074,132	4,074,132
Total of U.S. Department of Health and Human Services					-	12,442,182	12,442,182
U.S. Department of Agriculture:							
Pass-through programs from:							
State of Florida, Department of Health, Child and Adult Care Food Program	10.558	S-732	470,530	10/01/18-09/30/19	-	379,036	379,036
	10.558	S-732	500,128	10/01/19-09/30/20	-	158,936	158,936
Total U.S. Department of Agriculture					-	537,972	537,972

The independent auditor's report should be read in connection with this supplemental schedule.
The accompanying notes are an integral part of this supplemental schedule.

STEP UP SUNCOAST, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM AWARD	GRANT FISCAL PERIOD	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES	GRANT REVENUE
FEDERAL AGENCIES – CONTINUED							
U.S. Department of Treasury – Internal Revenue Service:							
Volunteer Income Tax Assistance (VITA) Matching Program	21.009	19VITA0044	17,130	08/01/18–07/31/20	–	9,406	9,406
Volunteer Income Tax Assistance (VITA) Matching Program	21.009	19VITA0044	23,982	08/01/18–07/31/20	–	9,656	9,656
Total U.S. Department of Treasury – Internal Revenue Service					–	19,062	19,062
U.S. Department of Housing and Urban Development:							
Housing Counseling Assistance Program	14.169	HC170421047	16,272	10/01/18–03/31/20	–	16,272	16,272
U.S. Department of Energy:							
State of Florida, Department of Economic Opportunity, Division of Housing and Community Development, Weatherization Assistance Program (WAP-DOE)	81.042	17WX-0G-12-00-04-017	68,151	04/01/17–09/30/20	–	39,128	39,128
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ –	\$ 13,054,616	\$ 13,054,616
NON-FEDERAL OTHER GRANTS AND CONTRACTS – WITH AND WITHOUT DONOR RESTRICTIONS							
Ounce of Prevention Fund of Florida, Healthy Families Florida							\$ 554,240
Manatee County Board of County Commissioners:							
SHIP (State of Florida Funds)							12,000
Manatee County Children’s Services:							
C.A.T.C.H. Program							36,593
Head Start							107,294
Healthy Families							287,482
HIPPI							200,932
Parents As Teachers							97,192
TOTS							89,119
Whole Child							129,749
Sarasota County Community Foundation:							
Season of Sharing Fund							277,440
The Zella I. and Junius F. Allen Fund of the Sarasota Community Foundation							3,320
2019 Summer Site Visit Shuffle – Host Participation							250
United Way:							
TOTS							45,000
VITA							18,000
Manatee Community Foundation:							
The Conrad and Ruth Ann Szymanski Fund of the Manatee Community Foundation							500
The Cheers For Charity Women’s Giving Circle Fund Two of Manatee Community Foundation							1,425
The Evans Family Charitable Fund of the Manatee Community Foundation							2,000
The John J. Gorr Foundation of the Manatee Community Foundation							8,000
The Johnston Family Fund of the Manatee Community Foundation							10,000
The Manatee Matches Fund of the Manatee Community Foundation							21,000
Office of the Attorney General Grant							17,129
Bank of America Grant							4,200
TOTAL NON-FEDERAL OTHER GRANTS AND CONTRACTS – WITH AND WITHOUT DONOR RESTRICTIONS							1,922,865
TOTAL GRANTS AND CONTRACTS							\$ 14,977,481

The independent auditor’s report should be read in connection with this supplemental schedule.
The accompanying notes are an integral part of this supplemental schedule.

STEP UP SUNCOAST, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANTS

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and Other Grants (the Schedule) includes the Federal grant activity of Step Up Suncoast, Inc., (the Organization) under programs of the Federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are reported on the Schedule and reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has a provisional negotiated indirect cost rate of 12.68% for all programs through December 31, 2020.

OTHER AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Step Up Suncoast, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Step Up Suncoast, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Step Up Suncoast, Inc.'s (the Organization) 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

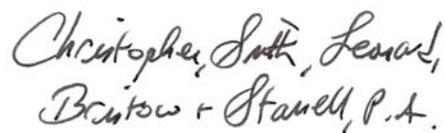
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Handwritten signature in cursive script: Christopher Smith, Leonard, Bristow + Stanell, P.A.

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 25, 2020
Bradenton, Florida



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Step Up Suncoast, Inc.

Report on Compliance for Each Major Federal Program

We have audited Step Up Suncoast, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Step Up Suncoast, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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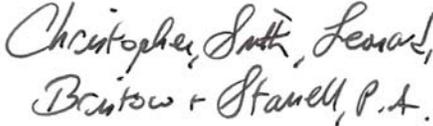
Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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


CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 25, 2020
Bradenton, Florida

STEP UP SUNCOAST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results

Financial Statements

Type of Auditor’s report issued: Unmodified Opinion

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to basic financial statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ yes x no

Identification of Major Federal Programs:

	<u>CFDA Number</u>
Temporary Assistance for Needy Families	93.558
Low Income Home Energy Assistance	93.568
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes _____ no

STEP UP SUNCOAST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

No matters were reported.

Prior Year Audit Findings

None reported.

Section III – Major Federal Award Programs – Findings and Questioned Costs

None Reported

Summary Schedule of Prior Year Audit Findings

None reported.