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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arizona Private Education Scholarship Fund, Inc. and Affiliate
Scottsdale, Arizona

Opinion

I have audited the accompanying consolidated financial statements of Arizona Private Education Scholarship Fund, Inc. (a nonprofit organization) and Affiliate, which comprise the Consolidated Statements of Assets, Liabilities and Net Assets - Modified Cash Basis as of June 30, 2022 and 2021 and the related Consolidated Statements of Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis and Consolidated Statements of Cash Flows - Modified Cash Basis for the years then ended, and the related Consolidated Statement of Functional Expenses - Modified Cash Basis for the year ended June 30, 2022 with summarized comparative totals for the year ended June 30, 2021, and the related notes to the consolidated financial statements.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arizona Private Education Scholarship Fund, Inc. and Affiliate as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Arizona Private Education Scholarship Fund, Inc. and Affiliate and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Financial Statements

My objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Financial Statements (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

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

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

Summarized Comparative Information

I previously audited Arizona Private Education Scholarship Fund, Inc. and Affiliate's June 30, 2021 financial statements and in my opinion dated November 29, 2021, stated that based on my audit, the financial statements present fairly, in all material respects, the assets, liabilities, and net assets of Arizona Private Education Scholarship Fund, Inc. and Affiliate as of June 30, 2021, and its support, revenue, expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1. I am not aware of any material modifications that should be made to the statement of functional expenses summarized comparative information presented herein for the year ended June 30, 2021, for it to be consistent with the audited financial statement from which it has been derived.

Monica J. Stem, CPA, PLLC

December 8, 2022

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidated Statements of Assets, Liabilities and
Net Assets - Modified Cash Basis
June 30, 2022 and 2021

	June 30,	
Assets	2022	2021
Cash and cash equivalents	\$4,315,948	\$4,456,456
Equipment, net	24,481	19,082
	-----	-----
Total Assets	\$4,340,429	\$4,475,538
	=====	=====
<u>Liabilities and Net Assets</u>		
Credit card liability	8,156	-
Payroll liabilities	346	-
	-----	-----
Total liabilities	8,502	-
	-----	-----
Net Assets:		
Without donor restrictions	4,331,927	4,473,607
With donor restrictions	-	1,931
	-----	-----
Total net assets	4,331,927	4,475,538
	-----	-----
Total liabilities and net assets	\$4,340,429	\$4,475,538
	=====	=====

See accompanying notes to the consolidated financial statements.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidated Statements of Revenues, Expenses, and Other Changes in Net Assets -
Modified Cash Basis
For the years ended June 30, 2022 and 2021

	Year ended June 30, 2022			Year ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions of cash and other financial assets	\$7,486,783	\$ 3,639	\$7,490,422	\$6,855,971	\$ 6,494	\$6,862,465
SBA grant income (PPP)	-	-	-	60,000	-	60,000
Interest income	8,020	-	8,020	15,840	-	15,840
Other income	1,563	-	1,563	-	-	-
Loss on sale of assets	-	-	-	(5,414)	-	(5,414)
	-----	-----	-----	-----	-----	-----
Total support and revenue	7,496,366	3,639	7,500,005	6,926,397	6,494	6,932,891
Net assets released from restrictions:						
Satisfaction by expenditure	5,570	(5,570)	-	4,927	(4,927)	-
	-----	-----	-----	-----	-----	-----
	7,501,936	(1,931)	7,500,005	6,931,324	1,567	6,932,891
	-----	-----	-----	-----	-----	-----
Expenses:						
Program services:						
Tax credit scholarships to students	6,976,737	-	6,976,737	5,613,785	-	5,613,785
Non-tax credit awards to students	13,520	-	13,520	6,000	-	6,000
Other program costs	223,003	-	223,003	195,639	-	195,639
Charitable contributions	5,800	-	5,800	6,027	-	6,027
	-----	-----	-----	-----	-----	-----
Total program services	7,219,060	-	7,219,060	5,821,451	-	5,821,451
	-----	-----	-----	-----	-----	-----
Support services:						
Administration	266,604	-	266,604	323,918	-	323,918
Fundraising	157,952	-	157,952	162,385	-	162,385
	-----	-----	-----	-----	-----	-----
Total support services	424,556	-	424,556	486,303	-	486,303
	-----	-----	-----	-----	-----	-----
Total expenses	7,643,616	-	7,643,616	6,307,754	-	6,307,754
	-----	-----	-----	-----	-----	-----
Change in net assets	(141,680)	(1,931)	(143,611)	623,570	1,567	625,137
Net assets, beginning	4,473,607	1,931	4,475,538	3,850,037	364	3,850,401
	-----	-----	-----	-----	-----	-----
Net assets, ending	\$4,331,927	\$ -	\$4,331,927	\$4,473,607	\$ 1,931	\$4,475,538
	=====	=====	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidated Statement of Functional Expenses - Modified Cash Basis
For the year ended June 30, 2022
(with summarized comparative totals for the year ended June 30, 2021)

	Program Services				Support Services			Totals		
	Tax Credit Scholarships to Students	Non-Tax Credit Awards	Other Program Costs	Charitable Contributions	Administration	Fund-raising	Total	June 30, 2022	June 30, 2021	
Salaries and wages	\$ -	\$ -	\$104,791	\$ -	\$ 104,791	\$ 78,023	\$ 83,797	\$161,820	\$ 266,611	\$ 281,648
Other employee benefits	-	-	16,188	-	16,188	20,811	14,183	34,994	51,182	59,875
Payroll taxes	-	-	8,094	-	8,094	6,026	6,472	12,498	20,592	21,201
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL EMPLOYEE RELATED EXPENSES	-	-	129,073	-	129,073	104,860	104,452	209,312	338,385	362,724
Scholarships/grants to students	6,976,737	13,520	-	-	6,990,257	-	-	-	6,990,257	5,619,785
Grants to organizations	-	-	-	5,800	5,800	-	-	-	5,800	6,027
Accounting	-	-	-	-	-	36,582	-	36,582	36,582	27,437
Legal	-	-	-	-	-	453	-	453	453	1,652
Advertising and promotion	-	-	7,643	-	7,643	-	15,917	15,917	23,560	18,095
Bank fees	-	-	-	-	-	90,377	-	90,377	90,377	104,592
Office expense	-	-	22,454	-	22,454	11,463	8,651	20,114	42,568	32,390
Professional services	-	-	25,560	-	25,560	-	4,000	4,000	29,560	23,799
Information technology	-	-	21,159	-	21,159	3,478	11,249	14,727	35,886	65,740
Insurance	-	-	184	-	184	6,789	147	6,936	7,120	5,513
Occupancy	-	-	14,947	-	14,947	11,126	11,951	23,077	38,024	33,849
Depreciation	-	-	1,983	-	1,983	1,476	1,585	3,061	5,044	6,151
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL EXPENSES	\$6,976,737	\$13,520	\$223,003	\$5,800	\$7,219,060	\$266,604	\$157,952	\$424,556	\$7,643,616	\$6,307,754
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidated Statements of Cash Flows - Modified Cash Basis
For the years ended June 30, 2022 and 2021

	June 30,	
	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (143,611)	\$ 625,137
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,044	6,151
Loss on sale of assets	-	5,414
Forgiveness of PPP loan	-	(60,000)
Increase (decrease) in credit card liabilities	8,156	(1,087)
Increase (decrease) in payroll liabilities	346	-
Net cash provided (used in) by operating activities	(130,065)	575,615
Cash flows from investing activities:		
Purchases of equipment	(10,443)	(18,171)
Proceeds from sale of equipment	-	700
Net cash used in investing activities	(10,443)	(17,471)
Net increase (decrease) in cash, cash equivalents and restricted cash	(140,508)	558,144
Cash, cash equivalents and restricted cash - beginning	4,456,456	3,898,312
Cash, cash equivalents and restricted cash - ending	\$4,315,948	\$4,456,456

See accompanying notes to the consolidated financial statements.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Notes to Financial Statements
For the years ended June 30, 2022 and 2021

(1) **Summary of Significant Accounting Policies**

BASIS OF ACTIVITIES AND PRESENTATION - The consolidated financial statements include Arizona Private Education Scholarship Fund, Inc. and STO Management Group, LLC and are collectively referred to in these financial statements as "APESF".

The affiliated entity has common management and shares the primary objective of providing scholarships to qualified students attending private schools in the state of Arizona. Arizona Private Education Scholarship Fund, Inc. is the sole member of STO Management Group, LLC.

The accompanying financial statements have been prepared on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when cash is disbursed, rather than when the obligation is incurred. Under the modified cash basis of accounting, APESF capitalizes and depreciates its donated and purchased plant assets and recognizes liabilities for loans, credit cards and payroll withholding transactions.

APESF is required to report 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.

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with APESF's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NATURE OF ACTIVITIES - Arizona Private Education Scholarship Fund, Inc. is a School Tuition Organization developed under the guidelines provided in the Arizona Private School Tuition Tax Credit Law of 1997 as amended. Founded in 1998 to provide scholarships to qualified students attending private schools in the State of Arizona, its mission is to provide qualified students seeking a choice in their educational careers with the necessary financial support to be successful students and productive citizens in the community.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, APESF considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents.

USE OF ESTIMATES - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PLANT ASSETS AND DEPRECIATION - APESF capitalizes equipment with a cost of over \$1,000. Maintenance and repairs are charged to expense as incurred.

Depreciation is recorded based on the estimated useful life of the asset using the straight-line method.

See independent accountant's audit report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Notes to Financial Statements
For the years ended June 30, 2022 and 2021

(1) **Summary of Significant Accounting Policies (continued)**

SUPPORT WITH DONOR RESTRICTIONS AND WITHOUT DONOR RESTRICTIONS - Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and nature of donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions.

When a restriction expires (that is, 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 reported in the Statement of Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis as net assets released from restrictions.

CONTRIBUTIONS OF NONFINANCIAL ASSETS - Contributions of plant assets are recorded as support at their estimated fair value at the date of contribution. Such contributions are reported as support without donor restrictions unless the donor has restricted the asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those contributed assets must be maintained, APESF reports expirations of donor restrictions when the assets are placed in service as instructed by the donor. APESF reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. No significant nonfinancial assets were contributed during the years ended June 30, 2022 and June 30, 2021.

EXPENSE ALLOCATIONS - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Support, Revenues and Expenses - Modified Cash Basis and the Statement of Functional Expenses - Modified Cash Basis. Accordingly, certain costs have been allocated among the programs and support services benefitted. Administration expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of APESF. Fundraising expenses include allocable overhead costs and direct expenses related to soliciting contributions. Certain shared costs, as well as salaries and benefits, are allocated on the basis of estimates of time and effort.

ADVERTISING COSTS - Advertising costs are expensed when incurred.

PAYCHECK PROTECTION PROGRAM (PPP) - The Paycheck Protection Program (PPP) provided loans to help businesses keep their workforce in place during the Coronavirus (COVID-19) crisis. APESF has chosen to treat the proceeds as a loan and to follow the guidance in FASB ASC 450-30 which places the timing of the recognition of a gain contingency when all of the contingencies related to receipt of the assistance, including the Small Business Administration forgiveness of the loan, have been met and the gain is realized or realizable. The receipt of any PPP amount will be treated as a loan. The proceeds from the loan will remain recorded as a liability until all contingencies are realized or realizable, at which time the earnings impact will be recognized.

See independent accountant's audit report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Notes to Financial Statements
For the years ended June 30, 2022 and 2021

(1) **Summary of Significant Accounting Policies (continued)**

RECENT ACCOUNTING PRONOUNCEMENTS- In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or activities in which the assets were used, (c) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, (d) valuation methods and inputs used to arrive at a fair value measure at initial recognition, and (e) the principal market or most advantageous market used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in the ASU are applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021.

(2) **Liquidity and Availability of Financial Assets**

The Organization has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditures:

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 4,315,948	\$ 4,456,456
Less: amount to be expended or allocated within two years (Note 14)	(3,128,723)	(3,471,710)
	-----	-----
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,187,225	\$ 984,746
	=====	=====

Arizona State Law requires the Organization to expend at least 90% of its cumulative tax credit program contributions for grants or scholarships to children to allow them to attend any qualified school of their choice. The remaining 10% is available for general expenditures.

The Organization manages its liquid resources by employing a variety of measures. The Organization focuses on generating adequate contributions to cover the costs of its activities and monitors costs closely.

See independent accountant's audit report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Notes to Financial Statements
For the years ended June 30, 2022 and 2021

(3) **Cash and Cash Equivalents**

Cash and cash equivalents consists of the following:

	June 30,	
	2022	2021
Cash in checking accounts	\$ 325,929	\$ 697,391
Cash in money market accounts	3,489,767	3,759,065
Cash in savings accounts	500,252	-
	\$4,315,948	\$4,456,456

(4) **Federal Deposit Insurance Corporation (FDIC)**

The Organization maintains accounts at four banks. Cash of \$3,513,247 was held in excess of Federal Deposit Insurance Corporation (FDIC) limits at June 30, 2022.

(5) **Equipment, net**

Equipment is recorded at cost and is stated net of accumulated depreciation in the amount of \$62,376 as of June 30, 2022 and \$63,432 as of June 30, 2021. Depreciation expense was \$5,044 for the year ended June 30, 2022 and \$6,151 for the year ended June 30, 2021.

(6) **PPP Loan Payable**

In April 2020, APESF obtained a Small Business Administration Paycheck Protection Program (PPP) loan in the amount of \$60,000. The loan was forgiven in April 2021.

(7) **Deductible Gifts and Income Tax Exemption**

Arizona Private Education Scholarship Fund, Inc. is exempt from Federal and State income tax as a 501(c)(3) organization. Bequests, legacies, devises, transfers, and gifts to APESF for which a State tax credit is not received are deductible for Federal estate and gift tax purposes. The Organization is not classified as a private foundation by the Internal Revenue Service. STO Management Group, LLC is a disregarded entity for Federal and State tax purposes and receives exemption from Arizona Private Education Scholarship Fund, Inc.

(8) **Uncertain Tax Positions**

APESF implemented accounting guidance related to uncertain tax positions. Using that guidance, tax provisions initially need to be recognized in the financial statements when it is more-likely-than-not that the position will not be sustained upon examination by the tax authorities.

As of June 30, 2022, APESF had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. APESF will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

See independent accountant's audit report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Notes to Financial Statements
For the years ended June 30, 2022 and 2021

(9) **Operating Lease/Subleases (Related Parties)**

APESF relocated during the year ended June 30, 2021 and leased office space from an unrelated party under a lease expiring June 30, 2026 at a monthly cost of approximately \$3,000. The lease contains two renewal periods, with each term being three years. Total payments under operating leases was \$37,109 for the year ended June 30, 2022 and \$43,971 for the year ended June 30, 2021.

Future payments on the lease are as follows:

<u>Year ending June 30,</u>	
2023	\$ 36,083
2024	37,170
2025	38,282
2026	39,429

	\$150,964
	=====

Under the previous lease, APESF held a sublease with a related party. Total rental income received under the sublease was \$10,582 for the year ended June 30, 2021. The sublease was with a company owned by board a member. The sublease was terminated on February 28, 2021.

(10) **Operating Leases-Equipment**

APESF leases equipment under leases expiring through June 2026 at a monthly cost of \$280. Total payments under the operating leases were \$8,431 for the year ended June 30, 2022 and \$8,627 for the year ended June 30, 2021.

Future payments on the leases are as follows:

<u>Year ending June 30,</u>	
2023	\$3,342
2024	3,342
2025	2,383
2026	464

	\$9,531
	=====

(11) **Related Party Transactions**

A board member was paid \$29,000 for consulting during the year ended June 30, 2022.

The Organization received contributions from board members and management employees of approximately \$15,735 during the year ended June 30, 2022 and \$13,185 during the year ended June 30, 2021.

See independent accountant's audit report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Notes to Financial Statements
For the years ended June 30, 2022 and 2021

(12) **Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted to further the educational efforts for students in Arizona outside of the tax credit program as of June 30, 2021.

(13) **Contributions**

For the years ended June 30, 2022 and June 30, 2021, APESF received contributions under the following programs:

	June 30,	
	2022	2021
Total individual income tax credit contributions	\$2,509,561	\$2,597,506
Total switcher individual income tax credit contributions	1,923,174	1,990,217
Total low-income corporate income tax credit contributions	2,445,000	2,151,300
Total disabled/displaced corporate income tax credit contributions	506,000	10,000
	\$7,383,735	\$6,749,023
Other contributions	106,687	113,442
Total	\$7,490,422	\$6,862,465

(14) **Commitments, Contingencies and Concentrations**

Under Arizona State Law for Student Tuition Organizations, Arizona Private Education Scholarship Fund, Inc. is required to expend or allocate at least 90% of each program's tax credit contributions within two years for educational scholarships or tuition grants to children to allow them to attend any qualified school of their choice. As of June 30, 2022, the Organization had spent over 90% of its cumulative revenues as required under state law. A total of \$3,128,723 must be expended or allocated by June 30, 2024.

A law change reducing the donors' State tax credit or changing other aspects of the law related to contributions to Student Tuition Organizations could have a significant effect on the ability of APESF to raise funds.

Substantially all contributions come from donors located in Arizona.

(15) **Subsequent Events**

Subsequent events were evaluated by management through December 8, 2022 which is the date the financial statements were available to be issued.

See independent accountant's audit report.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Arizona Private Education Scholarship Fund, Inc. and Affiliate

I have audited the consolidated financial statements of Arizona Private Education Scholarship Fund, Inc. and Affiliate as of and for the years ended June 30, 2022 and 2021, and have issued my reports thereon dated December 8, 2022 and November 29, 2021, which contained an unmodified opinion on those financial statements. My audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The Consolidating Statements of Assets, Liabilities and Net Assets - Modified Cash Basis and the Consolidating Statements of Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis - Totals Only are presented for the purpose of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements themselves, and other additional procedures in accordance with the modified cash basis of accounting. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Monica J. Stern, CPA, PLLC

December 8, 2022

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidating Statement of Assets, Liabilities and
Net Assets - Modified Cash Basis
June 30, 2022

Assets	Arizona Private Education Scholarship Fund	STO Management Group, LLC	Eliminations	Total
Cash and cash equivalents	\$3,079,375	\$1,236,573	\$ -	\$4,315,948
Due from STO Management Group, LLC	1,619,521	-	(1,619,521)	-
Equipment, net	-	24,481	-	24,481
	-----	-----	-----	-----
Total assets	\$4,698,896	\$1,261,054	\$(1,619,521)	\$4,340,429
	=====	=====	=====	=====
Liabilities and Net Assets				
Credit card liability	\$ -	\$ 8,156	\$ -	\$ 8,156
Payroll liabilities	-	346	-	346
Due to Arizona Private Education Scholarship Fund, Inc.	-	1,619,521	(1,619,521)	-
	-----	-----	-----	-----
Total liabilities	-	1,628,023	(1,619,521)	8,502
	-----	-----	-----	-----
Net Assets:				
Without donor restrictions	4,698,896	(366,969)	-	4,331,927
With donor restrictions	-	-	-	-
	-----	-----	-----	-----
Total net assets (deficit)	4,698,896	(366,969)	-	4,331,927
	-----	-----	-----	-----
Total liabilities and net assets	\$4,698,896	\$1,261,054	\$(1,619,521)	\$4,340,429
	=====	=====	=====	=====

See independent accountant's audit report on supplementary information.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidating Statement of Revenues, Expenses, and Other Changes in Net Assets -
Modified Cash Basis - Totals Only
For the year ended June 30, 2022

	Arizona Private Education Scholarship Fund	STO Management Group, LLC	Elimination	Total
Support and Revenue:				
Contributions	\$7,490,422	\$ -	\$ -	\$7,490,422
Management service fee	-	551,000	(551,000)	-
Interest income	6,584	1,436	-	8,020
Other income	1,563	-	-	1,563
Loss on sale of assets	-	-	-	-
	-----	-----	-----	-----
Total support and revenue	\$7,498,569	\$ 552,436	\$(551,000)	\$7,500,005
	-----	-----	-----	-----
Expenses:				
Program services:				
Tax credit scholarships to students	6,976,737	-	-	6,976,737
Non-tax credit awards to students	13,520	-	-	13,520
Other program costs	11,043	211,960	-	223,003
Charitable contributions	2,000	3,800	-	5,800
	-----	-----	-----	-----
Total programs	7,003,300	215,760	-	7,219,060
	-----	-----	-----	-----
Support services:				
Administration	641,377	176,227	(551,000)	266,604
Fundraising	-	157,952	-	157,952
	-----	-----	-----	-----
Total support services	641,377	334,179	(551,000)	424,556
	-----	-----	-----	-----
Total expenses	7,644,677	549,939	(551,000)	7,643,616
	-----	-----	-----	-----
Change in net assets	(146,108)	2,497	-	(143,611)
Net assets, beginning	4,845,004	(369,466)	-	4,475,538
	-----	-----	-----	-----
Net assets, ending	\$4,698,896	\$(366,969)	\$ -	\$4,331,927
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See independent accountant's audit report on supplementary information.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidating Statement of Assets, Liabilities and
Net Assets - Modified Cash Basis
June 30, 2021

Assets	Arizona Private Education Scholarship Fund	STO Management Group, LLC	Eliminations	Total
Cash and cash equivalents	\$3,475,483	\$ 980,973	\$ -	\$4,456,456
Due from STO Management Group, LLC	1,369,521	-	(1,369,521)	-
Equipment, net	-	19,082	-	19,082
	-----	-----	-----	-----
Total assets	\$4,845,004	\$1,000,055	\$(1,369,521)	\$4,475,538
	=====	=====	=====	=====
 Liabilities and Net Assets				
Due to Arizona Private Education Scholarship Fund, Inc.	\$ -	\$1,369,521	\$(1,369,521)	\$ -
	-----	-----	-----	-----
Total liabilities	-	1,369,521	(1,369,521)	-
	-----	-----	-----	-----
Net Assets:				
Without donor restrictions	4,843,073	(369,466)	-	4,473,607
With donor restrictions	1,931	-	-	1,931
	-----	-----	-----	-----
Total net assets (deficit)	4,845,004	(369,466)	-	4,475,538
	-----	-----	-----	-----
Total liabilities and net assets	\$4,845,004	\$1,000,055	\$(1,369,521)	\$4,475,538
	=====	=====	=====	=====

See independent accountant's audit report on supplementary information.

Arizona Private Education Scholarship Fund, Inc. and Affiliate
Consolidating Statement of Revenues, Expenses, and Other Changes in Net Assets -
Modified Cash Basis - Totals Only
For the year ended June 30, 2021

	Arizona Private Education Scholarship Fund	STO Management Group, LLC	Elimination	Total
Support and Revenue:				
Contributions	\$6,862,465	\$ -	\$ -	\$6,862,465
SBA grant income (PPP)	60,000	-	-	60,000
Management service fee	-	564,694	(564,694)	-
Interest income	13,848	1,992	-	15,840
Loss on sale of assets	-	(5,414)	-	(5,414)
	-----	-----	-----	-----
Total support and revenue	\$6,936,313	\$ 561,272	\$(564,694)	\$6,932,891
	-----	-----	-----	-----
Expenses:				
Program services:				
Tax credit scholarships to students	5,613,785	-	-	5,613,785
Non-tax credit awards to students	-	6,000	-	6,000
Other program costs	-	195,639	-	195,639
Charitable contributions	4,927	1,100	-	6,027
	-----	-----	-----	-----
Total programs	5,618,712	202,739	-	5,821,451
	-----	-----	-----	-----
Support services:				
Administration	668,874	219,738	(564,694)	323,918
Fundraising	-	162,385	-	162,385
	-----	-----	-----	-----
Total support services	668,874	382,123	(564,694)	486,303
	-----	-----	-----	-----
Total expenses	6,287,586	584,862	(564,694)	6,307,754
	-----	-----	-----	-----
Change in net assets	648,727	(23,590)	-	625,137
	-----	-----	-----	-----
Net assets, beginning	4,196,277	(345,876)	-	3,850,401
	-----	-----	-----	-----
Net assets, ending	\$4,845,004	\$(369,466)	\$ -	\$4,475,538
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