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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, 2023 and 2022 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, 2023 with summarized comparative totals for the year ended June 30, 2022, 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, 2023 and 2022, 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:

- . 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, 2022 financial statements and in my opinion dated December 8, 2022, 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, 2022, 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, 2022, for it to be consistent with the audited financial statement from which it has been derived.

*Monica J. Stern, CPA, PLLC*

December 1, 2023

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Consolidated Statements of Assets, Liabilities and Net Assets - Modified Cash Basis  
June 30, 2023 and 2022

	June 30,	
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,356,741	\$ 4,315,948
Furniture and equipment, net	182,501	24,481
Total assets	\$ 5,539,242	\$ 4,340,429
<b>LIABILITIES</b>		
Credit card liability	\$ 608	\$ 8,156
Payroll liability	1,048	346
Total liabilities	1,656	8,502
<b>NET ASSETS</b>		
Without donor restrictions	5,534,336	4,331,927
With donor restrictions	3,250	-
Total net assets	5,537,586	4,331,927
Total liabilities and net assets	\$ 5,539,242	\$ 4,340,429

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Consolidated Statements of Revenue, Expenses and Other Changes to Net Assets - Modified Cash Basis  
For the Years Ended June 30, 2023 and 2022

	June 30, 2023			June 30, 2022		
	Without Donor Restrictions	With Donor Restricted	Total	Without Donor Restrictions	With Donor Restricted	Total
<b>Support and Revenue</b>						
Contributions of cash and other financial assets	\$ 5,764,559	\$ 38,126	\$ 5,802,685	\$ 7,486,783	\$ 3,639	\$ 7,490,422
Interest	83,415	-	83,415	8,020	-	8,020
Employee Rention Credit	35,000	-	35,000	-	-	-
Other	1,636	-	1,636	1,563	-	1,563
<b>Total support and revenue</b>	<b>5,884,610</b>	<b>38,126</b>	<b>5,922,736</b>	<b>7,496,366</b>	<b>3,639</b>	<b>7,500,005</b>
Net assets released from restrictions - satisfied by payments	34,876	(34,876)	-	5,570	(5,570)	-
	<u>5,919,486</u>	<u>3,250</u>	<u>5,922,736</u>	<u>7,501,936</u>	<u>(1,931)</u>	<u>7,500,005</u>
<b>EXPENSES</b>						
<b>Program Services</b>						
Tax credit scholarships	3,971,119	-	3,971,119	6,976,737	-	6,976,737
Non-tax credit scholarships	12,825	-	12,825	13,520	-	13,520
Grants to others	89,299	-	89,299	5,800	-	5,800
Other program expenses	168,529	-	168,529	223,003	-	223,003
<b>Total program services</b>	<u>4,241,772</u>	<u>-</u>	<u>4,241,772</u>	<u>7,219,060</u>	<u>-</u>	<u>7,219,060</u>
<b>Supporting services</b>						
Administration	312,397	-	312,397	266,604	-	266,604
Fundraising	162,908	-	162,908	157,952	-	157,952
<b>Total supporting services</b>	<u>475,305</u>	<u>-</u>	<u>475,305</u>	<u>424,556</u>	<u>-</u>	<u>424,556</u>
<b>Total expenses</b>	<u>4,717,077</u>	<u>-</u>	<u>4,717,077</u>	<u>7,643,616</u>	<u>-</u>	<u>7,643,616</u>
Change in net assets	1,202,409	3,250	1,205,659	(141,680)	(1,931)	(143,611)
Net Assets, beginning of year	4,331,927	-	4,331,927	4,473,607	1,931	4,475,538
Net Assets, end of year	<u>\$ 5,534,336</u>	<u>\$ 3,250</u>	<u>\$ 5,537,586</u>	<u>\$ 4,331,927</u>	<u>\$ -</u>	<u>\$ 4,331,927</u>

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Consolidated Statement of Functional Expenses - Modified Cash Basis  
For the Year Ended June 30, 2023 (with summarized comparative totals for the year ended June 30, 2022)

	Program Services	Supporting Services			Total	
	Total	Administration	Fundraising	Total	2023	2022
Salaries and wages	\$ 85,002	\$ 86,873	\$ 78,619	\$ 165,492	\$ 250,494	\$ 266,611
Other employee benefits	9,893	15,654	15,024	30,678	40,571	51,182
Payroll taxes	6,480	6,623	5,994	12,617	19,097	20,592
Total employee related expenses	<u>101,375</u>	<u>109,150</u>	<u>99,637</u>	<u>208,787</u>	<u>310,162</u>	<u>338,385</u>
Tax credit scholarships	3,971,119	-	-	-	3,971,119	6,976,737
Non-tax credit scholarships	12,825	-	-	-	12,825	13,520
Grants to others	89,299	-	-	-	89,299	5,800
Accounting	-	38,470	-	38,470	38,470	36,582
Other professional services	14,500	40,453	12,880	53,333	67,833	30,013
Advertising and promotion	12,644	1,610	12,601	14,211	26,855	23,560
Bank fees	-	77,235	-	77,235	77,235	90,377
Office expense	3,750	12,413	3,468	15,881	19,631	42,568
Information technology	18,388	8,117	17,791	25,908	44,296	35,886
Travel and transportation	795	813	736	1,549	2,344	-
Insurance	-	6,683	-	6,683	6,683	7,120
Conferences and meetings	1,309	1,338	1,211	2,549	3,858	-
Occupancy	13,400	13,694	12,393	26,087	39,487	38,024
Depreciation	2,368	2,421	2,191	4,612	6,980	5,044
Total expenses	<u>\$ 4,241,772</u>	<u>\$ 312,397</u>	<u>\$ 162,908</u>	<u>\$ 475,305</u>	<u>\$ 4,717,077</u>	<u>\$ 7,643,616</u>

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Consolidated Statements of Cash Flows - Modified Cash Basis  
For the Years Ended June 30, 2023 and 2022

	June 30, 2022	
	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,205,659	\$ (143,611)
Adjustments to reconcile increase in net assets to cash provided by operating activities		
Depreciation	6,980	5,044
Increase (decrease) in credit card liability	(7,548)	8,156
Increase (decrease) in payroll tax liabilities	702	346
Net cash provided by (used in) operating activities	1,205,793	(130,065)
Cash flows from investing activities		
Purchase of furniture and equipment	(165,000)	(10,443)
Net cash (used in) investing activities	(165,000)	(10,443)
Net increase (decrease) in cash and cash equivalents	1,040,793	(140,508)
Cash and cash equivalents, beginning of year	4,315,948	4,456,456
Cash and cash equivalents, end of year	\$ 5,356,741	\$ 4,315,948

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Notes to Financial Statements  
For the years ended June 30, 2023 and 2022

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

**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.

**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 card balances 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, 2022, from which the summarized information was derived.

**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.

**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.

**PLANT ASSETS AND DEPRECIATION** – APESF capitalizes all furniture and equipment with a cost, if purchased, or fair market value, if contributed, of over \$1,000 and a useful life of more than one year. 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.

**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.

See independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Notes to Financial Statements  
For the years ended June 30, 2023 and 2022

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

**SUPPORT WITH DONOR RESTRICTIONS AND WITHOUT DONOR RESTRICTIONS** (continued)

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. Plant 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, 2023 or June 30, 2022.

**EMPLOYEE RETENTION CREDIT (ERC)** – The Employee Retention Credit (ERC), a credit against qualifying payroll costs allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization recognized the grant income when the funds were received.

**EXPENSE ALLOCATIONS** – The costs of providing various programs and other activities have been summarized on a functional basis in the Statements 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 paid.

**SUPPLEMENTARY CASH FLOW STATEMENT DISCLOSURE** – No cash was paid for interest, income taxes or excise taxes during the years ended June 30, 2023 or 2022.

**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.

See independent auditor's report.



Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Notes to Financial Statements  
For the years ended June 30, 2023 and 2022

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

**RECENT ACCOUNTING PRONOUNCEMENTS** (continued) – The ASU also 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. The presentation and disclosures of revenue have been enhanced in accordance with this standard.

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

The Organization considers financial assets unavailable for general operations when balances held are not convertible to cash within one year, are received from donors for specific purposes, have been designated by the Board of Directors for a specific purpose, or are impacted by limits imposed by specific laws and contracts.

The Organization’s liquidity is impacted by Arizona State Law applicable to school tuition organizations, including the requirement of the Organization to expend or allocate at least 90% of its cumulative tax credit program contributions within two years for grants or scholarships to children to allow them to attend any qualified school of their choice.

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

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 5,356,741	\$ 4,315,948
Less those unavailable for general expenditures		
Within one year due to:		
Donor restrictions	(3,250)	-
Amounts to be expended within two years to meet the 90% payout requirement	(4,263,547)	(3,128,723)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,089,944	\$ 1,187,225

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 auditor’s report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Notes to Financial Statements  
For the years ended June 30, 2023 and 2022

(3) **Cash and Cash Equivalents**

Cash and cash equivalents consist of the following:

	June 30,	
	2023	2022
Cash in checking	\$ 100,713	\$ 325,929
Cash in savings	-	500,252
Cash in money markets	512,358	3,489,767
Cash in sweep	4,743,670	-
	\$ 5,356,741	\$ 4,315,948

Deposits at cash institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). From time to time, these deposits may exceed the insurance amounts provided by the FDIC. The uninsured balances were \$116,563 and \$3,513,247 as of June 30, 2023 and 2022, respectively, creating a concentration of credit risk. Management has placed these funds in high-quality institutions to minimize the risk.

(4) **Equipment, net**

Equipment is recorded at cost and is stated net of accumulated depreciation in the amount of \$67,362 and \$62,379 as of June 30, 2023 and 2022, respectively. Depreciation expense was \$6,980 and \$5,044 for the years ended June 30, 2023 and 2022, respectively.

(5) **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.

(6) **Operating Lease**

APESF leases office space under an agreement that expires June 30, 2026, and requires monthly payments of approximately \$3,000. The lease contains two three-year renewal periods. Total payments under operating leases were \$37,109 each year, for the years ended June 30, 2023 and 2022.

Future payments required under the agreement are as follows:

Year ending June 30,	
2024	\$ 37,170
2025	38,282
2026	39,429
	\$ 114,881

See independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Notes to Financial Statements  
For the years ended June 30, 2023 and 2022

(7) **Operating Leases-Equipment**

APESF leases equipment under agreements expiring through June 2026, and require monthly payments of approximately \$300. Total payments under the agreements were \$3,701 and \$8,431 for the years ended June 30, 2023 and 2022, respectively.

Future payments required under the agreements are as follows:

<u>Year ending June 30,</u>		
2024	\$	3,582
2025		2,535
2026		<u>464</u>
	\$	<u>6,581</u>

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

Net assets with donor restrictions as of June 30, 2023, were restricted to support the Moerkerke Family Memorial Fund. The fund was established to support a partner school's capital project being built to honor the legacy of APESF's founder. There were no net assets with donor restrictions as of June 30, 2022.

(9) **Net Assets Released From Restrictions**

Net assets released from restrictions consists of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Beyond the Basics	\$ 5,876	\$ 5,570
Moerkerke Family Memorial Fund	<u>29,000</u>	<u>-</u>
	<u>\$ 34,876</u>	<u>\$ 5,570</u>

(10) **Contributions**

APESF received contributions under the following programs:

	June 30,	
	<u>2023</u>	<u>2022</u>
Income tax credit contributions		
Individual	\$ 2,129,744	\$ 2,509,561
Switcher	1,616,228	1,923,174
Low-income corporate	1,630,000	2,445,000
Disabled/displaced corporate	<u>311,000</u>	<u>506,000</u>
Total income tax credit contributions	5,686,972	7,383,735
Other contributions	<u>115,713</u>	<u>106,687</u>
Total contributions	<u>\$ 5,802,685</u>	<u>\$ 7,490,422</u>

See independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Notes to Financial Statements  
For the years ended June 30, 2023 and 2022

(11) **Related Party Transactions**

A board member was paid \$39,000 and \$29,000 for consulting during the years ended June 30, 2023 and 2022, respectively.

APESF received contributions from board members and management employees of \$24,852 and \$15,735 during the years ended June 30, 2023 and 2022, respectively.

APESF pays scholarships on behalf of children of board members and staff. The total paid during the years ended June 30, 2023 and 2022 were \$63,678 and \$83,845, respectively. All scholarships awarded were made using the Organization's adopted award policies and criteria.

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

**PLANT ASSETS**

During the year ended June 30, 2023, APESF entered into an agreement with a software development company to rebuild the customer relationship management (CRM) software system. The total contract amount is \$330,000, of which \$165,000 was capitalized during the year ended June 30, 2023. The remaining balance of \$165,000 will be paid during the year ending June 30, 2024.

**STO PROGRAM**

Under Arizona State Law for Student Tuition Organizations, APESF is required to expend or allocate 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. As of June 30, 2022, APESF had expended or allocated over 90% of its cumulative revenues from all programs as required under state law. As of June 30, 2023, APESF had expended or allocated over 90% of its cumulative revenues from Original, Switcher, and Low-income corporate tax credits. However, only 89.4% of cumulative revenues for Disabled/displaced corporate tax credits had been expended or allocated as of June 30, 2023. This deficiency will be corrected during the year ending June 30, 2024.

A total of \$4,263,547 for all tax credit programs must be expended or allocated by June 30, 2025. As of June 30, 2023, \$4,378,061 had been allocated and are being held for future awards. Held awards are paid out upon receiving an annual application and determining the applying student meets all criteria required for each type of scholarship funds to be paid out. The Organization's policy is to hold all pending awards for future tuition provided the family applies annually.

A law change reducing the donors' state tax credit or changing other aspects of the law for Student Tuition Organizations related to contributions or student criteria for scholarship awards could have a significant effect on the ability of AZTO to raise funds and make awards.

Substantially all contributions come from donors located in Arizona.

(13) **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.

See independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Notes to Financial Statements  
For the years ended June 30, 2023 and 2022

(13) **Uncertain Tax Positions** (continued)

As of June 30, 2023 and 2022, APESF had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. APESF will recognize future interest and penalties related to unrecognized tax benefits in income tax expense if paid.

(14) **Subsequent Events**

Subsequent events were evaluated by management through December 1, 2023 which is the date the financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY  
INFORMATION

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CERTIFIED PUBLIC ACCOUNTANT  
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**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, 2023 and 2022, and have issued my reports thereon dated December 1, 2023 and December 8, 2022, which contained an unmodified opinion on those consolidated financial statements. My audits were performed for the purpose of forming an opinion on the consolidated 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 consolidated 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 1, 2023

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Consolidating Statement of Assets, Liabilities and Net Assets - Modified Cash Basis  
June 30, 2023

	Arizona Private Education Scholarship Fund, Inc.	STO Management Group, LLC	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,090,223	\$ 266,518	\$ -	\$ 5,356,741
Due from STO Management Group, LLC	690,168	-	(690,168)	-
Furniture and equipment, net	-	182,501	-	182,501
<b>Total assets</b>	<b><u>\$ 5,780,391</u></b>	<b><u>\$ 449,019</u></b>	<b><u>\$ (690,168)</u></b>	<b><u>\$ 5,539,242</u></b>
<b>LIABILITIES</b>				
Credit card liability	\$ -	\$ 608	\$ -	\$ 608
Payroll liability	-	1,048	-	1,048
Due to Arizona Private Education Scholarship Fund, Inc.	-	690,168	(690,168)	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>691,824</u></b>	<b><u>(690,168)</u></b>	<b><u>1,656</u></b>
<b>NET ASSETS</b>				
Without donor restrictions	5,780,391	(246,055)	-	5,534,336
With donor restrictions	-	3,250	-	3,250
<b>Total net assets</b>	<b><u>5,780,391</u></b>	<b><u>(242,805)</u></b>	<b><u>-</u></b>	<b><u>5,537,586</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 5,780,391</u></b>	<b><u>\$ 449,019</u></b>	<b><u>\$ (690,168)</u></b>	<b><u>\$ 5,539,242</u></b>

See independent auditor's report on supplementary information.



Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Consolidating Statements of Revenue, Expenses and Other Changes to Net Assets - Modified Cash Basis  
For the Year Ended June 30, 2023

	Arizona Private Education Scholarship Fund, Inc.	STO Management Group, LLC	Eliminations	Total
<b>Support and Revenue</b>				
Contributions of cash and other financial assets	\$ 5,802,685	\$ 32,250	\$ (32,250)	\$ 5,802,685
Management service fee	-	701,800	(701,800)	-
Interest	74,039	9,376	-	83,415
Employee Retention Credit	-	35,000	-	35,000
Other	-	1,636	-	1,636
<b>Total support and revenue</b>	<b>5,876,724</b>	<b>780,062</b>	<b>(734,050)</b>	<b>5,922,736</b>
<b>EXPENSES</b>				
<b>Program Services</b>				
Tax credit scholarships	3,971,119	-	-	3,971,119
Non-tax credit scholarships	12,825	-	-	12,825
Grants to others	32,250	89,299	(32,250)	89,299
Other program expenses	-	168,529	-	168,529
<b>Total program services</b>	<b>4,016,194</b>	<b>257,828</b>	<b>(32,250)</b>	<b>4,241,772</b>
<b>Supporting services</b>				
Administration	779,035	235,162	(701,800)	312,397
Fundraising	-	162,908	-	162,908
<b>Total supporting services</b>	<b>779,035</b>	<b>398,070</b>	<b>(701,800)</b>	<b>475,305</b>
<b>Total expenses</b>	<b>4,795,229</b>	<b>655,898</b>	<b>(734,050)</b>	<b>4,717,077</b>
<b>Change in net assets</b>	<b>1,081,495</b>	<b>124,164</b>	<b>-</b>	<b>1,205,659</b>
<b>Net Assets, beginning of year</b>	<b>4,698,896</b>	<b>(366,969)</b>	<b>-</b>	<b>4,331,927</b>
<b>Net Assets, end of year</b>	<b>\$ 5,780,391</b>	<b>\$ (242,805)</b>	<b>\$ -</b>	<b>\$ 5,537,586</b>

See independent auditor's 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, 2022

	Arizona Private Education Scholarship Fund, Inc.	STO Management Group, LLC	Eliminations	Total
<b>ASSETS</b>				
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)	-
Furniture and equipment, net	-	24,481	-	24,481
<b>Total assets</b>	<b><u>\$ 4,698,896</u></b>	<b><u>\$ 1,261,054</u></b>	<b><u>\$ (1,619,521)</u></b>	<b><u>\$ 4,340,429</u></b>
<b>LIABILITIES</b>				
Credit card liability	\$ -	\$ 8,156	\$ -	\$ 8,156
Payroll liability	-	346	-	346
Due to Arizona Private Education Scholarship Fund, Inc.	-	1,619,521	(1,619,521)	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>1,628,023</u></b>	<b><u>(1,619,521)</u></b>	<b><u>8,502</u></b>
<b>NET ASSETS</b>				
Without donor restrictions	4,698,896	(366,969)	-	4,331,927
With donor restrictions	-	-	-	-
<b>Total net assets</b>	<b><u>4,698,896</u></b>	<b><u>(366,969)</u></b>	<b><u>-</u></b>	<b><u>4,331,927</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 4,698,896</u></b>	<b><u>\$ 1,261,054</u></b>	<b><u>\$ (1,619,521)</u></b>	<b><u>\$ 4,340,429</u></b>

See independent auditor's report on supplementary information.

Arizona Private Education Scholarship Fund, Inc. and Affiliate  
Consolidating Statements of Revenue, Expenses and Other Changes to Net Assets - Modified Cash Basis  
For the Year Ended June 30, 2022

	Arizona Private Education Scholarship Fund, Inc.	STO Management Group, LLC	Eliminations	Total
<b>Support and Revenue</b>				
Contributions of cash and other financial assets	\$ 7,490,422	\$ -	\$ -	\$ 7,490,422
Management service fee	-	551,000	(551,000)	-
Interest	6,584	1,436	-	8,020
Other	1,563	-	-	1,563
<b>Total support and revenue</b>	<b>7,498,569</b>	<b>552,436</b>	<b>(551,000)</b>	<b>7,500,005</b>
<b>EXPENSES</b>				
<b>Program Services</b>				
Tax credit scholarships	6,976,737	-	-	6,976,737
Non-tax credit scholarships	13,520	-	-	13,520
Grants to others	2,000	3,800	-	5,800
Other program expenses	11,043	211,960	-	223,003
<b>Total program services</b>	<b>7,003,300</b>	<b>215,760</b>	<b>-</b>	<b>7,219,060</b>
<b>Supporting services</b>				
Administration	641,377	176,227	(551,000)	266,604
Fundraising	-	157,952	-	157,952
<b>Total supporting services</b>	<b>641,377</b>	<b>334,179</b>	<b>(551,000)</b>	<b>424,556</b>
<b>Total expenses</b>	<b>7,644,677</b>	<b>549,939</b>	<b>(551,000)</b>	<b>7,643,616</b>
<b>Change in net assets</b>	<b>(146,108)</b>	<b>2,497</b>	<b>-</b>	<b>(143,611)</b>
<b>Net Assets, beginning of year</b>	<b>4,845,004</b>	<b>(369,466)</b>	<b>-</b>	<b>4,475,538</b>
<b>Net Assets, end of year</b>	<b>\$ 4,698,896</b>	<b>\$ (366,969)</b>	<b>\$ -</b>	<b>\$ 4,331,927</b>

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