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## **INDEPENDENT AUDITOR'S REPORT**

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

### ***Opinion***

I have audited the accompanying consolidated financial statements of Arizona Private Education Scholarship Fund, Inc. (a nonprofit organization) and Affiliates, which comprise the Consolidated Statements of Assets, Liabilities and Net Assets - Modified Cash Basis as of June 30, 2024 and 2023 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, 2024 with summarized comparative totals for the year ended June 30, 2023, 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 Affiliates as of June 30, 2024 and 2023, 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 Affiliates 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arizona Private Education Scholarship Fund, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## INDEPENDENT AUDITOR'S REPORT (continued)

### *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. 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 Affiliates' 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 Affiliates' 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 Affiliates' June 30, 2023 consolidated financial statements and in my opinion dated December 1, 2023, stated that based on my audit, the consolidated financial statements present fairly, in all material respects, the assets, liabilities, and net assets of Arizona Private Education Scholarship Fund, Inc. and Affiliates as of June 30, 2023, 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 consolidated statement of functional expenses summarized comparative information presented herein for the year ended June 30, 2023, for it to be consistent with the audited consolidated financial statement from which it has been derived.

*Monica J. Stern, CPA, PLLC*

November 5, 2024

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Consolidated Statements of Assets, Liabilities and Net Assets - Modified Cash Basis  
June 30, 2024 and 2023

	June 30,	
	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,641,933	\$ 5,356,741
Fixed assets, net	341,397	182,501
Total assets	\$ 6,983,330	\$ 5,539,242
<b>LIABILITIES</b>		
Credit card liability	\$ 2,747	\$ 608
Payroll liability	-	1,048
Total liabilities	2,747	1,656
<b>NET ASSETS</b>		
Without donor restrictions	6,980,583	5,534,336
With donor restrictions	-	3,250
Total net assets	6,980,583	5,537,586
Total liabilities and net assets	\$ 6,983,330	\$ 5,539,242

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Consolidated Statements of Revenue, Expenses and Other Changes to Net Assets - Modified Cash Basis  
For the Years Ended June 30, 2024 and 2023

	June 30, 2024			June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Contributions of cash and other						
financial assets	\$ 6,932,573	\$ 4,566	\$ 6,937,139	\$ 5,764,559	\$ 38,126	\$ 5,802,685
Interest	197,646	-	197,646	83,415	-	83,415
Employee Retention Credit	-	-	-	35,000	-	35,000
Other	-	-	-	1,636	-	1,636
Total support and revenue	7,130,219	4,566	7,134,785	5,884,610	38,126	5,922,736
Net assets released from						
restrictions - satisfied by payments	7,816	(7,816)	-	34,876	(34,876)	-
	7,138,035	(3,250)	7,134,785	5,919,486	3,250	5,922,736
<b>EXPENSES</b>						
<b>Program Services</b>						
Tax credit scholarships	4,980,641	-	4,980,641	3,971,119	-	3,971,119
Non-tax credit scholarships	11,543	-	11,543	12,825	-	12,825
Grants to others	8,000	-	8,000	89,299	-	89,299
Other program expenses	231,269	-	231,269	168,529	-	168,529
Total program services	5,231,453	-	5,231,453	4,241,772	-	4,241,772
<b>Supporting services</b>						
Administration	304,717	-	304,717	312,397	-	312,397
Fundraising	155,618	-	155,618	162,908	-	162,908
Total supporting services	460,335	-	460,335	475,305	-	475,305
Total expenses	5,691,788	-	5,691,788	4,717,077	-	4,717,077
Change in net assets	1,446,247	(3,250)	1,442,997	1,202,409	3,250	1,205,659
Net Assets, beginning of year	5,534,336	3,250	5,537,586	4,331,927	-	4,331,927
Net Assets, end of year	\$ 6,980,583	\$ -	\$ 6,980,583	\$ 5,534,336	\$ 3,250	\$ 5,537,586

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Consolidated Statement of Functional Expenses - Modified Cash Basis  
For the Year Ended June 30, 2024 (with summarized comparative totals for the year ended June 30, 2023)

	Program Services	Supporting Services			Total	
	Total	Administration	Fundraising	Total	2024	2023
Salaries and wages	\$ 107,553	\$ 51,736	\$ 70,108	\$ 121,844	\$ 229,397	\$ 250,494
Other employee benefits	15,962	4,361	20,145	24,506	40,468	40,571
Payroll taxes	7,712	3,709	5,027	8,736	16,448	19,097
Total employee related expenses	<u>131,227</u>	<u>59,806</u>	<u>95,280</u>	<u>155,086</u>	<u>286,313</u>	<u>310,162</u>
Tax credit scholarships	4,980,641	-	-	-	4,980,641	3,971,119
Non-tax credit scholarships	11,543	-	-	-	11,543	12,825
Grants to others	8,000	-	-	-	8,000	89,299
Accounting	-	24,677	-	24,677	24,677	38,470
Other professional services	31,691	81,170	4,042	85,212	116,903	67,833
Advertising and promotion	10,983	-	14,027	14,027	25,010	26,855
Bank fees	-	88,706	-	88,706	88,706	77,235
Office expense	6,635	7,074	4,325	11,399	18,034	19,631
Information technology	22,260	14,546	17,703	32,249	54,509	44,296
Travel and transportation	497	239	324	563	1,060	2,344
Insurance	-	6,857	-	6,857	6,857	6,683
Conferences and meetings	4,030	10,516	2,627	13,143	17,173	3,858
Occupancy	18,958	9,120	12,358	21,478	40,436	39,487
Depreciation	4,988	2,006	4,932	6,938	11,926	6,980
Total expenses	<u>\$ 5,231,453</u>	<u>\$ 304,717</u>	<u>\$ 155,618</u>	<u>\$ 460,335</u>	<u>\$ 5,691,788</u>	<u>\$ 4,717,077</u>

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Consolidated Statements of Cash Flows - Modified Cash Basis  
For the Years Ended June 30, 2024 and 2023

	June 30,	
	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 1,442,997	\$ 1,205,659
Adjustments to reconcile increase in net assets to cash provided by operating activities		
Depreciation	11,926	6,980
Increase (decrease) in credit card liability	2,139	(7,548)
Increase (decrease) in payroll liability	(1,048)	702
Net cash provided by operating activities	1,456,014	1,205,793
Cash flows from investing activities		
Purchase of fixed assets	(170,822)	(165,000)
Net cash (used in) investing activities	(170,822)	(165,000)
Net increase in cash and cash equivalents	1,285,192	1,040,793
Cash and cash equivalents, beginning of year	5,356,741	4,315,948
Cash and cash equivalents, end of year	\$ 6,641,933	\$ 5,356,741

See accompanying notes and independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Notes to Financial Statements  
For the years ended June 30, 2024 and 2023

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

**NATURE OF ACTIVITIES** – Arizona Private Education Scholarship Fund, Inc. is a School Tuition Organization (“STO”) 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., STO Management Group, LLC and AZCredits, LLC and are collectively referred to in these financial statements as “APESF”.

STO Management Group, LLC was created in July 2009, and is an affiliated entity with common management. STO Management Group, LLC 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.

AZCredits, LLC was created in December 2023, and is an affiliated entity with common management. Its primary objective is to maximize Arizona tax credit donations for school tuition organizations, qualified charitable organizations and qualified foster care charitable organizations. Contributions received are passed through to the specific organizations selected by the APESF board and chosen by the donors. Arizona Private Education Scholarship Fund, Inc. is the sole member of AZCredits, 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 fixed 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, 2023, from which the summarized information was derived.

**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.

**FIXED ASSETS AND DEPRECIATION** – APESF capitalizes all fixed assets 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.

**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 during the year ended June 30, 2023.

See independent auditor’s report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Notes to Financial Statements  
For the years ended June 30, 2024 and 2023

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

**FUNDS HELD FOR OTHERS** – AZCredits, LLC receives and distributes assets under certain agency agreements for other organizations that are eligible to receive other types of Arizona tax credit donations. For AZCredits, LLC, when the organization accepts contributions, the initial transfer in of funds is recorded as a liability in the consolidated statement of financial position and the liability is released when the funds are disbursed. The Organization has no variance power over these funds and all funds received during the year ended June 30, 2024 were paid out as of the end of the year. No funds were received during the year ended June 30, 2023.

**SUPPORT WITHOUT DONOR RESTRICTIONS AND WITH 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. Fixed 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, 2024 or June 30, 2023.

**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, 2024 or 2023.

**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.

(2) **Acceptance of Funds from a Decertifying School Tuition Organization**

On January 1, 2024, APESF agreed to accept the remaining funds from an Arizona STO that has elected to self-decertify.

See independent auditor's report.



Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Notes to Financial Statements  
For the years ended June 30, 2024 and 2023

(2) **Acceptance of Funds from a Decertifying School Tuition Organization** (continued)

In accordance with the Arizona Department of Revenue guidelines, transferred funds received from a decertifying STO are recorded as contributions in the consolidated statement of revenues, expenses and other changes to net assets - modified cash basis. In addition, refunds received from schools for scholarships paid by the decertifying STO for prior year awards are also recorded as contributions in the year APESF receives these funds.

The total funds received during the year ended June 30, 2024, related to the decertifying STO are as follows:

Funds received from decertifying STO		
Original tax credit program	\$	588,905
Switcher program		<u>637,531</u>
		<u>1,226,436</u>
Refunds received directly from schools for prior year scholarships		
Original tax credit program		7,207
Switcher program		<u>9,425</u>
		<u>16,632</u>
	\$	<u>1,243,068</u>

Under Arizona State Law for Student Tuition Organizations, APESF is required to expend or allocate at least 90% of the funds received directly from the decertifying STO and from refunds received directly for the school grants or scholarships to children.

(3) **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, 2024	2023
Cash and cash equivalents	\$ 6,641,933	\$ 5,356,741
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	<u>(5,433,420)</u>	<u>(4,263,547)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,208,513</u>	<u>\$ 1,089,944</u>

See independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Notes to Financial Statements  
For the years ended June 30, 2024 and 2023

(3) **Liquidity and Availability of Financial Assets** (continued)

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.

(4) **Cash and Cash Equivalents**

Cash and cash equivalents consist of the following:

	June 30,	
	2024	2023
Cash in checking	\$ 32,992	\$ 100,713
Cash in savings	-	-
Cash in money markets	493,777	512,358
Cash in Insurance Cash Sweep (ICS) accounts	6,115,164	4,743,670
	\$ 6,641,933	\$ 5,356,741

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.

ICS accounts are offered by the bank through IntraFi Cash Services. Through this network, the bank has the ability to access FDIC coverage from multiple institutions while allowing the APESF to work directly with its bank.

The uninsured balances were \$1,025 and \$116,563 as of June 30, 2024 and 2023, respectively, creating a concentration of credit risk. Management has placed these funds in high-quality institutions to minimize the risk.

(5) **Fixed Assets, Net**

Fixed assets are recorded at cost and are stated net of accumulated depreciation in the amount of \$79,288 and \$67,362 as of June 30, 2024 and 2023, respectively. Depreciation expense was \$11,926 and \$6,980 for the years ended June 30, 2024 and 2023, respectively.

(6) **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 and AZCredits, LLC are disregarded entities for Federal and State tax purposes and receive exemption through Arizona Private Education Scholarship Fund, Inc.

(7) **Operating Lease – Office Space**

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, which include charges for parking, were \$39,295 and \$38,183 for the years ended June 30, 2024 and 2023, respectively.

See independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Notes to Financial Statements  
For the years ended June 30, 2024 and 2023

(7) **Operating Lease – Office Space** (continued)

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, which include charges for parking, were \$39,295 and \$38,183 for the years ended June 30, 2024 and 2023, respectively.

Future payments required under the agreement are as follows:

<u>Year ending June 30,</u>		
2025	\$	38,282
2026		<u>39,429</u>
	\$	<u><u>77,711</u></u>

(8) **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 \$4,168 and \$3,701 for the years ended June 30, 2024 and 2023, respectively.

Future payments required under the agreements are as follows:

<u>Year ending June 30,</u>		
2025	\$	2,623
2026		<u>464</u>
	\$	<u><u>3,087</u></u>

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

Net assets with donor restrictions as of June 30, 2023, totaled \$3,250 and were restricted to support the Moerkerke Family Memorial Fund and other community projects. The Moerkerke Family Memorial 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, 2024.

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

Net assets released from restrictions consists of the following:

		June 30,	
		<u>2024</u>	<u>2023</u>
Beyond the Basics	\$	4,566	\$ 5,876
Other community support		3,250	-
Moerkerke Family Memorial Fund		<u>-</u>	<u>29,000</u>
	\$	<u><u>7,816</u></u>	<u><u>34,876</u></u>

See independent auditor's report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Notes to Financial Statements  
For the years ended June 30, 2024 and 2023

(11) **Contributions**

APESF received contributions under the following programs:

	June 30,	
	2024	2023
Income tax credit contributions		
Individual	\$ 2,459,152	\$ 2,129,744
Individual – transfer from other STO	596,112	-
Switcher	1,826,705	1,616,228
Switcher – transfer from other STO	646,956	-
Low-income corporate	920,955	1,630,000
Disabled/displaced corporate	396,000	311,000
Total income tax credit contributions	6,845,880	5,686,972
Other contributions	91,259	115,713
Total contributions	\$ 6,937,139	\$ 5,802,685

(12) **Related Party Transactions**

A board member was paid \$39,000 for contract services during the year ended June 30, 2023.

APESF received contributions from board members and management employees of \$19,598 and \$24,852 during the years ended June 30, 2024 and 2023, respectively.

APESF pays scholarships on behalf of children of board members and staff. The total paid during the years ended June 30, 2024 and 2023 were \$81,026 and \$63,678, respectively. All scholarships awarded were made using the Organization’s adopted award policies and criteria.

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

**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 within two years of receipt. As of June 30, 2024, APESF had expended or allocated over 90% of its cumulative revenues from Original, Switcher, and Low-income Corporate tax credits required to be paid out by June 30, 2024, from all programs as required under state law.

A total of \$5,433,420 for all tax credit programs must be expended or allocated by June 30, 2026. As of June 30, 2024, \$5,511,302 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.

See independent auditor’s report.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Notes to Financial Statements  
For the years ended June 30, 2024 and 2023

(13) **Commitments, Contingencies and Concentrations** (continued)

**FIXED 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 was capitalized during the year ending June 30, 2024.

(14) **AZCredits, LLC Activity**

AZCredits, LLC received and paid out \$4,104 to recipient organizations during the year ended June 30, 2024. No funds were collected during the year ended June 30, 2023.

(15) **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, 2024 and 2023, 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.

(16) **Subsequent Events**

Subsequent events were evaluated by management through November 5, 2024 which is the date the financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY  
INFORMATION

**MONICA J. STERN, CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT  
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**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

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

I have audited the consolidated financial statements of Arizona Private Education Scholarship Fund, Inc. and Affiliates as of and for the years ended June 30, 2024 and 2023, and have issued my reports thereon dated November 5, 2024 and December 1, 2023, 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 as of June 30, 2024 and 2023, and the Consolidating Statements of Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis - Totals Only for the years ended June 30, 2024 and 2023, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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*

November 5, 2024

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Consolidating Statement of Assets, Liabilities and Net Assets - Modified Cash Basis  
June 30, 2024

	Arizona Private Education Scholarship Fund, Inc.	STO Management Group, LLC	AZCredits, LLC	Eliminations	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,625,526	\$ 14,777	\$ 1,630	\$ -	\$ 6,641,933
Due from STO Management Group, LLC	430,820	-	-	(430,820)	-
Fixed assets, net	-	341,397	-	-	341,397
<b>Total assets</b>	<b>\$ 7,056,346</b>	<b>\$ 356,174</b>	<b>\$ 1,630</b>	<b>\$ (430,820)</b>	<b>\$ 6,983,330</b>
<b>LIABILITIES</b>					
Credit card liability	\$ -	\$ 2,747	\$ -	\$ -	\$ 2,747
Payroll liability	-	-	-	-	-
Due to Arizona Private Education Scholarship Fund, Inc.	-	430,820	-	(430,820)	-
<b>Total liabilities</b>	<b>-</b>	<b>433,567</b>	<b>-</b>	<b>(430,820)</b>	<b>2,747</b>
<b>NET ASSETS</b>					
Without donor restrictions	7,056,346	(77,393)	1,630	-	6,980,583
With donor restrictions	-	-	-	-	-
<b>Total net assets</b>	<b>7,056,346</b>	<b>(77,393)</b>	<b>1,630</b>	<b>-</b>	<b>6,980,583</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,056,346</b>	<b>\$ 356,174</b>	<b>\$ 1,630</b>	<b>\$ (430,820)</b>	<b>\$ 6,983,330</b>

See independent auditor's report on supplementary information.



Arizona Private Education Scholarship Fund, Inc. and Affiliates  
Consolidating Statements of Revenue, Expenses and Other Changes to Net Assets - Modified Cash Basis  
For the Year Ended June 30, 2024

	Arizona Private Education Scholarship Fund, Inc.	STO Management Group, LLC	AZCredits, LLC	Eliminations	Total
<b>Support and Revenue</b>					
Contributions of cash and other financial assets	\$ 6,937,139	\$ -	\$ -	\$ -	\$ 6,937,139
Management service fee	-	765,000	10,000	(775,000)	-
Interest	194,447	3,199	-	-	197,646
Other	-	-	-	-	-
<b>Total support and revenue</b>	<b>7,131,586</b>	<b>768,199</b>	<b>10,000</b>	<b>(775,000)</b>	<b>7,134,785</b>
<b>EXPENSES</b>					
<b>Program Services</b>					
Tax credit scholarships	4,980,641	-	-	-	4,980,641
Non-tax credit scholarships	11,543	-	-	-	11,543
Grants to others	-	8,000	-	-	8,000
Other program expenses	-	231,269	-	-	231,269
<b>Total program services</b>	<b>4,992,184</b>	<b>239,269</b>	<b>-</b>	<b>-</b>	<b>5,231,453</b>
<b>Supporting services</b>					
Administration	863,447	207,900	8,370	(775,000)	304,717
Fundraising	-	155,618	-	-	155,618
<b>Total supporting services</b>	<b>863,447</b>	<b>363,518</b>	<b>8,370</b>	<b>(775,000)</b>	<b>460,335</b>
<b>Total expenses</b>	<b>5,855,631</b>	<b>602,787</b>	<b>8,370</b>	<b>(775,000)</b>	<b>5,691,788</b>
Change in net assets	1,275,955	165,412	1,630	-	1,442,997
Net Assets, beginning of year	5,780,391	(242,805)	-	-	5,537,586
Net Assets, end of year	<u>\$ 7,056,346</u>	<u>\$ (77,393)</u>	<u>\$ 1,630</u>	<u>\$ -</u>	<u>\$ 6,980,583</u>

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Arizona Private Education Scholarship Fund, Inc. and Affiliates  
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)	-
Fixed assets, net	-	182,501	-	182,501
 Total assets	 \$ 5,780,391	 \$ 449,019	 \$ (690,168)	 \$ 5,539,242
<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)	-
 Total liabilities	 -	 691,824	 (690,168)	 1,656
<b>NET ASSETS</b>				
Without donor restrictions	5,780,391	(246,055)	-	5,534,336
With donor restrictions	-	3,250	-	3,250
 Total net assets	 5,780,391	 (242,805)	 -	 5,537,586
 Total liabilities and net assets	 \$ 5,780,391	 \$ 449,019	 \$ (690,168)	 \$ 5,539,242

See independent auditor's report on supplementary information.

Arizona Private Education Scholarship Fund, Inc. and Affiliates  
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
	<u>5,876,724</u>	<u>780,062</u>	<u>(734,050)</u>	<u>5,922,736</u>
<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
Total program services	<u>4,016,194</u>	<u>257,828</u>	<u>(32,250)</u>	<u>4,241,772</u>
<b>Supporting services</b>				
Administration	779,035	235,162	(701,800)	312,397
Fundraising	-	162,908	-	162,908
Total supporting services	<u>779,035</u>	<u>398,070</u>	<u>(701,800)</u>	<u>475,305</u>
Total expenses	<u>4,795,229</u>	<u>655,898</u>	<u>(734,050)</u>	<u>4,717,077</u>
Change in net assets	1,081,495	124,164	-	1,205,659
Net Assets, beginning of year	<u>4,698,896</u>	<u>(366,969)</u>	<u>-</u>	<u>4,331,927</u>
Net Assets, end of year	<u>\$ 5,780,391</u>	<u>\$ (242,805)</u>	<u>\$ -</u>	<u>\$ 5,537,586</u>

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