

ARIZONA PRIVATE EDUCATION
SCHOLARSHIP FUND, INC.
AND AFFILIATES

Consolidated Financial Statements As Of June 30, 2025
(With Summarized Financial Information
For The Year Ended June 30, 2024)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Arizona Private Education Scholarship Fund, Inc. and Affiliates, an Arizona nonprofit organization, (the "Organization"), which comprise the consolidated statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2025, and the related consolidated statements of support and revenue, expenses and changes in net assets - modified cash basis, consolidated statement of functional expenses - modified cash basis, and cash flows - modified cash basis for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above 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, 2025, and its support, revenues and expenses and cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated 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. Our opinion is not modified with respect to this matter.

Members:

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Independent Auditors' Report (Continued)

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated 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 consolidated 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are 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 auditors' report that includes our 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, we:

- 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 the Organization's internal control. Accordingly, no such opinion is expressed.

Independent Auditors' Report (Continued)

- 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental consolidated statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2025 and the consolidated schedule of support and revenue, expenses, and changes in net assets - modified cash basis for the year ended June 30, 2025 (the "supplemental schedules"), are presented for purposes 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Reporting on Summarized Comparative Information

The consolidated financial statements of Arizona Private Education Scholarship Fund, Inc. and Affiliates as of June 30, 2024, were audited by another auditor, whose report dated November 5, 2024, expressed an unmodified opinion on those consolidated statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

We are required to communicate to 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 we identified during the audit.

JDS Professional Group
Certified Public Accountants, Consultants and Advisors, LLC

December 8, 2025

ARIZONA PRIVATE EDUCATION SCHOLARSHIP FUND, INC. AND AFFILIATES

Consolidated Statement Of Assets, Liabilities And Net Assets - Modified Cash Basis

As Of June 30, 2025

(With Summarized Financial Information For The Year Ended June 30, 2024)

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	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 6,916,922	\$ 6,641,933
Investments	500,000	
Property and equipment, net of accumulated depreciation of \$118,561	<u>302,123</u>	<u>341,397</u>
TOTAL ASSETS	<u><u>\$ 7,719,045</u></u>	<u><u>\$ 6,983,330</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Other liability	<u>\$ 3,743</u>	<u>\$ 2,747</u>
Total Liabilities	<u>3,743</u>	<u>2,747</u>
Net Assets:		
Without donor restrictions:		
Undesignated	1,743,555	1,469,281
Designated - scholarships	<u>5,971,747</u>	<u>5,511,302</u>
Total Net Assets Without Donor Restrictions	<u>7,715,302</u>	<u>6,980,583</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,719,045</u></u>	<u><u>\$ 6,983,330</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

ARIZONA PRIVATE EDUCATION SCHOLARSHIP FUND, INC. AND AFFILIATES

Consolidated Statement Of Support And Revenue, Expenses

And Changes In Net Assets - Modified Cash Basis

For The Year Ended June 30, 2025

(With Summarized Financial Information For The Year Ended June 30, 2024)

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	<u>2025</u>	<u>2024</u>
	Without Donor Restrictions	Without Donor Restrictions
Support And Revenue:		
Contributions -		
Individual -		
Original	\$ 2,534,523	\$ 3,055,264
Switcher	1,842,254	2,473,661
Corporate -		
Low-income	2,080,619	920,955
Disabled/displaced	55,000	396,000
Other	125,912	91,259
Interest	<u>250,006</u>	<u>197,646</u>
Total Support And Revenue	<u>6,888,314</u>	<u>7,134,785</u>
Expenses:		
Program services -		
Scholarship distribution -		
Original individual	2,223,464	1,910,220
Switcher individual	1,655,099	1,629,654
Corporate low-income	1,083,929	1,151,362
Corporate disabled/displaced	440,493	289,405
Other	<u>198,477</u>	<u>250,812</u>
Total Program Services	<u>5,601,462</u>	<u>5,231,453</u>
Supporting services -		
General and administrative	344,928	304,717
Fundraising	<u>207,205</u>	<u>155,618</u>
Total Supporting Services	<u>552,133</u>	<u>460,335</u>
Total Expenses	<u>6,153,595</u>	<u>5,691,788</u>
CHANGE IN NET ASSETS	734,719	1,442,997
Net Assets, Beginning Of Year	<u>6,980,583</u>	<u>5,537,586</u>
NET ASSETS, END OF Year	<u>\$ 7,715,302</u>	<u>\$ 6,980,583</u>

The accompanying notes are an integral part of the consolidated financial statements.

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 Financial Information As Of June 30, 2024)

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	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	2025 Total	2024 Total
Tax credit scholarships	\$ 5,402,985	\$	\$	\$	\$ 5,402,985	\$ 4,980,641
Non-tax credit scholarships	14,844				14,844	11,543
Grants to others	8,169				8,169	8,000
Salaries and related benefits	90,010	75,817	100,525	176,342	266,352	286,313
Accounting		18,737		18,737	18,737	24,677
Other professional services	24,171	99,966		99,966	124,137	116,903
Advertising and promotion			36,976	36,976	36,976	25,010
Bank fees		92,346		92,346	92,346	88,706
Office expense	6,366	5,259	6,827	12,086	18,452	18,034
Information technology	23,582	19,481	25,291	44,772	68,354	54,509
Travel and transportation	519	429	557	986	1,505	1,060
Insurance		7,438		7,438	7,438	6,857
Conferences and meetings	2,862	2,364	7,051	9,415	12,277	17,173
Occupancy	14,404	11,898	15,447	27,345	41,749	40,436
Depreciation	13,550	11,193	14,531	25,724	39,274	11,926
Total Expenses	\$ 5,601,462	\$ 344,928	\$ 207,205	\$ 552,133	\$ 6,153,595	\$ 5,691,788

The accompanying notes are an integral part of the consolidated financial statements.

ARIZONA PRIVATE EDUCATION SCHOLARSHIP FUND, INC. AND AFFILIATES

Consolidated Statement Of Cash Flows - Modified Cash Basis

For The Year Ended June 30, 2025

(With Summarized Financial Information For The Year Ended June 30, 2024)

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	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 734,719	\$ 1,442,997
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:		
Depreciation	39,274	11,926
Changes in assets and liabilities -		
Increase in other liability	996	2,139
(Decrease) in payroll liability		<u>(1,048)</u>
Net cash provided by operating activities	<u>774,989</u>	<u>1,456,014</u>
Cash flows from investing activities:		
Purchases of property and equipment		(170,822)
Purchases of investments	<u>(500,000)</u>	
Net cash (used in) investing activities	<u>(500,000)</u>	<u>(170,822)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	274,989	1,285,192
Cash and Cash Equivalents, Beginning Of Year	<u>6,641,933</u>	<u>5,356,741</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,916,922</u>	<u>\$ 6,641,933</u>

The accompanying notes are an integral part of the consolidated financial statements.

(1) **Nature Of The Organization**

Arizona Private Education Scholarship Fund, Inc. - Arizona Private Education Scholarship, Fund Inc. (APESF), located in Scottsdale, Arizona, is a not-for-profit corporation formed in 1998, to implement the Arizona scholarship tax credit programs 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. APESF's activities include receiving tax credit donations from qualified corporations and individuals to be used to fund scholarships awarded to qualified students at the discretion of APESF. In accordance with Arizona Revised Statutes (A.R.S.), ninety percent of the total donations must be distributed to private schools for qualified students. APESF is a School Tuition Organization ("STO") as defined by A.R.S. §43-1502(A) and §43-1602(A).

The original individual income tax credit, as defined in A.R.S. §43-1089, allows Arizona taxpayers to claim a dollar-for-dollar credit against their yearly state income tax liability on donations made to an STO. This credit can be adjusted for inflation. However, the maximum individual income tax credit allowable for donations will never be adjusted below the amounts for the prior taxable year. For the tax year 2024, the maximum credit allowable was \$731 for single filers and \$1,459 for married filing joint filers. For the tax year 2025, the amounts increased to \$769 for single filers and \$1,535 for married filing joint filers.

The switcher individual income tax credit is only available to individuals that first donated the maximum amount allowed for an original individual income tax credit. The program, as defined at A.R.S. §43-1089.03, allows STOs to award scholarships from the switcher tax credit donations to students who meet additional scholarship prerequisites as defined by the State of Arizona. As with the original individual tax credit, the switcher individual income tax credit can be adjusted for inflation, and the maximum allowable for donations will never be adjusted below the amounts for the prior taxable year. For the tax year 2024, the maximum credit allowable was \$728 and \$1,451 for single filers and married filing joint filers, respectively. For the tax year 2025, the amounts increased to \$766 and \$1,527 for single filers and married filing joint filers, respectively.

The low-income corporate income tax credit allows Arizona corporations to receive tax credits on a first-come-first-serve basis for contributions made to STOs. The program, as defined at A.R.S. §20-224.06, allows corporations to claim this tax credit and provides scholarships to children of low-income families entering private school who also meet additional scholarship prerequisites as defined by the State of Arizona.

The disabled/displaced corporate income tax credit allows Arizona insurance companies to receive tax credits on a first-come-first-serve basis for contributions made to STOs. A.R.S. §20-224.07 governs this program, which allows insurance companies' tax credit contributions to be used to award scholarships for disabled and displaced children attending private schools.

All tax credit income is subject to specific compliance and fund distribution requirements that are subject to review by the Arizona Department of Revenue. STOs are required to apply with the Arizona Department of Revenue for certification. The process requires the Arizona Department of Revenue to certify STOs as being eligible to receive income tax credit donations based on reporting and compliance requirements of the STOs.

All students who are awarded scholarships funded with tax credit contributions must apply with the STO and award amounts are determined by APESF's selection committee in accordance with A.R.S.

STO Management Group, LLC - STO Management Group, LLC (STOMG) was created in July 2009, and is an affiliated entity with common management. STOMG accounts for the administrative and operating activities of APESF and directly supports the mission of APESF. APESF is the sole member of STOMG.

AZCredits, LLC - AZCredits, LLC (AZCRD) was created in December 2023, and is an affiliated entity with common management. AZCRD activities include maintaining a giving platform to maximize Arizona tax credit donations for STOs, qualified charitable organizations, qualified foster care organizations and public schools. AZCRD provides a giving platform and related technology services to tax-credit eligible organizations and may assess platform fees to organizations that utilize such services. These platform fees are recorded as revenue when services are provided.

AZCRD previously received and distributed assets under certain agency agreements for other organizations that were eligible to receive Arizona tax credit donations, however, no funds were received or held under such arrangements during the year ended June 30, 2025. AZCRD no longer operates under agency arrangements or maintains assets or liabilities on behalf of other organizations.

APESF is the sole member of AZCRD.

(2) **Summary Of Significant Accounting Policies**

Basis of Consolidation

The consolidated financial statements include the consolidated accounts and activities of APESF, STOMG and AZCRD (collectively referred to as the “Organization”). The officers and directors of the affiliates are the same. All intercompany accounts have been eliminated in consolidation.

Basis Of Accounting

The consolidated financial statements of the Organization have been prepared on the modified cash basis of accounting. Under this basis of accounting, assets, liabilities, net assets, revenue and expenses are recognized when they result from cash transactions, with modifications allowable for recording long-term assets and liabilities. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America that use the accrual basis for financial reporting.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2025, there were no net assets with donor restrictions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Investments and Fair Value Measurements

The Organization follows *Fair Value Measurements* which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: Valued at amortized cost or original cost plus accrued interest.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated statement of assets, liabilities and net assets - modified cash basis.

The carrying amount reported in the consolidated statement of assets, liabilities and net assets - modified cash for cash and cash equivalents and other liability approximate fair value because of the immediate or short-term maturities of these financial instruments.

Cash And Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and money market and cash sweep deposit accounts. The Organization considers all highly liquid investments, except for those held for long-term investment, with an original maturity of three months or less to be cash equivalents.

The Organization's cash demand deposits are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. From time to time, these deposits may exceed the insurance amounts provided by the FDIC.

Cash sweep deposits are managed by a custodial bank that is part of a network of FDIC-insured banks. Funds are placed by the custodial bank in other network banks accessing additional FDIC insurance coverage to ensure all deposits are insured.

Property and Equipment

Property and equipment acquisitions over \$1,000 with a useful life of more than one year are capitalized at cost. Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Repairs and maintenance are charged to expense as incurred.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Computers and equipment	3-5years
Furniture and fixtures	7 years
Custom CRM database/development	10 years

Measure Of Operations

The consolidated statement of support and revenue, expenses and changes in net assets - modified cash basis reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consists of those items attributable to the Organization's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Revenue And Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 consolidated statement of support and revenue, expenses and changes in net assets - modified cash basis, as net assets released from restrictions.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the consolidated statement of assets, liabilities and net assets - modified cash basis. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Methods Used For Allocation Of Expenses From Management And General Activities

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on estimates of time and effort are salaries and related benefits, other professional services, office expense, information technology, travel and transportation, conferences and meetings, occupancy and depreciation.

Comparative Financial Information

Certain prior year amounts have been reclassified to conform to the current year presentation. The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Scholarships

Scholarships are expensed when they are disbursed. All scholarships are approved by the Board of Directors prior to payment by authorizing selection committees to determine scholarship amounts awarded to qualified students. Refunded scholarships are reported net of scholarships paid in the year the refund was received.

Evaluation Of Subsequent Events

The Organization has performed an evaluation of subsequent events through December 8, 2025, which is the date the consolidated financial statements were available to be issued, and has considered any relevant matters in the preparation of the consolidated financial statements and footnotes.

(3) Tax Exempt Status

APESF has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code and applicable A.R.S. In addition, APESF qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). Accordingly, the accompanying consolidated financial statements contain no provision for income taxes.

STOMG and AZCRD are treated as disregarded entities and as such, file no tax return and the activity has been included within the APESF tax return.

The Organization follows *Accounting for Uncertainty in Income Taxes* which requires them to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended June 30, 2025, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to June 30, 2022. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no material issues would arise.

(4) **Compliance With Arizona Revised Statutes**

In management's opinion, the Organization complied with the requirements for operations as established by A.R.S. as of June 30, 2025. Those requirements include, but are not limited to, the following:

- Must allocate at least 90% of tax credit contributions to educational scholarships. Scholarships must be paid out within the following two years or reserved for future scholarships for specific students awarded multi-year scholarships.
- Must timely file a prescribed annual report with the Arizona Department of Revenue.
- May not limit the availability of educational scholarships to students of only one school.
- May allow donors to recommend student beneficiaries but shall not award, designate or reserve scholarships solely on the basis of donor recommendations.
- May not allow donors to designate student beneficiaries as a condition of any contributions for the organization or facilitate, encourage or knowingly permit the exchange of beneficiary student designations in violation of A.R.S §43-1089, subsection F.

The Organization conducts its STO activities pursuant to enacted A.R.S. Should any reforms be enacted, the Organization's activities could be significantly impacted.

(5) **Investments**

As of June 30, 2025, the Organization held certificates of deposit at fair value measured on a recurring basis in the amount of \$500,000. The certificates of deposit are considered Level 1 investments within the fair value hierarchy.

(6) **Designated Net Assets**

Designated net assets include balances required to be paid out under A.R.S. from multi-year awards approved for students that have been allocated in the amount of \$5,971,747, as of June 30, 2025.

Included in the remaining balances required to be paid out are \$5,878,319 in multi-year awards approved for students that have not yet been paid. All future awards, including multi-year scholarships on hold, will be made and disbursed in the following years upon receipt and evaluation of scholarship applications.

(7) **Concentration of Contributions**

During the year ended June 30, 2025, the Organization received a significant contribution from an Arizona corporation representing 11% of total support and revenue. The contribution was received under the terms of the A.R.S. that allows corporations to receive tax credits for contributions made to STOs.

(8) **Related Party Transactions**

The Organization received contributions from board members and management of \$11,713 during the year ended June 30, 2025. The Organization paid scholarships on behalf of children of board members and management in the amount of \$76,249. All scholarships awarded were made using the Organization's adopted award policies and criteria.

(9) **Liquidity And Availability Of Financial Assets**

Consistent with A.R.S., all contributions received by the Organization are divided into scholarship funds (90%) and administrative funds (10%). Scholarship funds are restricted by law exclusively for scholarships and are distributed to private schools from designated FDIC insured accounts. Interest earned on these accounts is added to the funds used for scholarships. Administrative funds are available for the Organization's administrative expenses and held in FDIC insured accounts.

The Organization exists solely to provide scholarships to students. The following reflects the Organization's financial assets as of the consolidated statement of assets, liabilities and net assets - modified cash basis as of June 30, 2025.

Financial assets at year end June 30, 2025:

Cash and cash equivalents	\$	6,916,922
Investments		<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>7,416,922</u></u>

ARIZONA PRIVATE EDUCATION SCHOLARSHIP FUND, INC. AND AFFILIATES

Consolidated Schedule Of Assets, Liabilities And Net Assets - Modified Cash Basis As Of June 30, 2025

(With Summarized Financial Information As Of June 30, 2024)

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	Arizona Private Scholarship Fund, Inc.	STO Management Group, LLC	AZCredits, LLC	Eliminations	2025 Total	2024 Total
ASSETS						
Cash	\$ 6,909,618	\$ 5,550	\$ 1,754	\$	\$ 6,916,922	\$ 6,641,933
Investments	250,000	250,000			500,000	
Due from affiliate	672,068			(672,068)		
Property and equipment, net		302,123			302,123	341,397
TOTAL ASSETS	\$ 7,831,686	\$ 557,673	\$ 1,754	\$ (672,068)	\$ 7,719,045	\$ 6,983,330
LIABILITIES AND NET ASSETS						
Liabilities:						
Other liability	\$	\$ 3,743	\$	\$	\$ 3,743	\$ 2,747
Due to affiliate		672,068		(672,068)		
Total Liabilities		675,811		(672,068)	3,743	2,747
Net Assets:						
Without donor restrictions:						
Undesignated	1,859,939	(118,138)	1,754		1,743,555	1,469,281
Designated - scholarships	5,971,747				5,971,747	5,511,302
Total Net Assets						
Without Donor Restrictions	7,831,686	(118,138)	1,754		7,715,302	6,980,583
TOTAL LIABILITIES AND NET ASSETS	\$ 7,831,686	\$ 557,673	\$ 1,754	\$ (672,068)	\$ 7,719,045	\$ 6,983,330

ARIZONA PRIVATE EDUCATION SCHOLARSHIP FUND, INC. AND AFFILIATES

Consolidated Schedule Of Support And Revenue, Expenses

And Changes In Net Assets - Modified Cash Basis

As Of June 30, 2025

(With Summarized Financial Information As Of June 30, 2024)

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	Arizona Private Scholarship Fund, Inc.	STO Management Group, LLC	AZCredits, LLC	Eliminations	2025 Total	2024 Total
Support And Revenue:						
Contributions -						
Individual -						
Original	\$ 2,534,523	\$	\$	\$	\$ 2,534,523	\$ 3,055,264
Switcher	1,842,254				1,842,254	2,473,661
Corporate -						
Low-income	2,080,619				2,080,619	920,955
Disabled/displaced	55,000				55,000	396,000
Other	125,912				125,912	91,259
Interst	241,254	8,752			250,006	197,646
Management service fees		594,100	11,350	(605,450)		
Total Support and Revenue	6,879,562	602,852	11,350	(605,450)	6,888,314	7,134,785
Expenses:						
Program Services -						
Scholarship distribution -						
Original individual	2,223,464				2,223,464	1,910,220
Switcher individual	1,655,099				1,655,099	1,629,654
Corporate low-income	1,083,929				1,083,929	1,151,362
Corporate disabled/displaced	440,493				440,493	289,405
Other	14,844	179,768	3,865		198,477	250,812
Total Program Services	5,417,829	179,768	3,865		5,601,462	5,231,453
Supporting Services -						
General and administrative	686,393	260,770	3,215	(605,450)	344,928	304,717
Fundraising		203,059	4,146		207,205	155,618
Total Supporting Services	686,393	463,829	7,361	(605,450)	552,133	460,335
Total Expenses	6,104,222	643,597	11,226	(605,450)	6,153,595	5,691,788
CHANGE IN NET ASSETS	775,340	(40,745)	124		734,719	1,442,997
Net Assets, Beginning Of Year	7,056,346	(77,393)	1,630		6,980,583	5,537,586
NET ASSETS, END OF YEAR	\$ 7,831,686	\$ (118,138)	\$ 1,754	\$	\$ 7,715,302	\$ 6,980,583