



**PHOENIX EDUCATION MANAGEMENT, LLC
dba PIONEER TECHNOLOGY AND ARTS ACADEMY of ARIZONA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Phoenix Education Management, LLC
dba Pioneer Technology and Arts Academy of Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Phoenix Education Management, LLC dba Pioneer Technology and Arts Academy of Arizona (PTAAA) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PTAAA as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PTAAA 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 opinions.

Prior Period Adjustment

As discussed in Note K to the financial statements the School made a correction of revenue recognized in the prior year, resulting in a decrease in opening net assets as previously reported in the amount of \$136,518. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PTAAA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

LOUISIANA • TEXAS

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 and *Government 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 PTAAA'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PTAAA's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, on our consideration of the PTAAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PTAAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PTAAA's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Houston, Texas
November 14, 2023

PHOENIX EDUCATION MANAGEMENT, LLC
 dba PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
 STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

ASSETS

CURRENT ASSETS	
Cash & Cash Equivalents	\$ 206,551
Other Receivables	22,601
TOTAL CURRENT ASSETS	229,152
 PROPERTY AND EQUIPMENT	
Leasehold Improvements	269,855
Furniture and Equipment	251,324
	521,179
Less: Accumulated Depreciation	(207,093)
	314,086
 OTHER ASSETS	
Operating Lease Right-of-Use Asset	16,914,881
	16,914,881
 TOTAL ASSETS	 \$ 17,458,119

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 250,665
Accrued Expenses - Wages & Benefits	92,780
Due to State	256,207
Current Portion Of Operating Lease Liabilities	190,559
TOTAL CURRENT LIABILITIES	790,211
 LONG TERM LIABILITIES	
Operating Lease Liabilities, Net of Current Portion	16,960,959
TOTAL LONG TERM LIABILITIES	16,960,959
 TOTAL LIABILITIES	 17,751,170
 NET ASSETS	
Without Donor Restrictions	(293,051)
With Donor Restrictions	-
TOTAL NET ASSETS	(293,051)
 TOTAL LIABILITIES AND NET ASSETS	 \$ 17,458,119

See accompanying notes to the financial statements.

PHOENIX EDUCATION MANAGEMENT, LLC
 dba PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
 STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
State Equalization	\$	\$ 3,414,509	\$ 3,414,509
Classroom Site Fund (Prop 301)		357,071	357,071
State School Fund (Prop 123)		28,362	28,362
Other State Fund		17,141	17,141
Local Income	43,037		43,037
Contributions	1,696,960		1,696,960
Net Assets Released from Restrictions	3,817,083	(3,817,083)	-
Total Revenues and other Support	5,557,080		5,557,080
EXPENSES			
Salaries	1,375,529		1,375,529
Payroll Taxes & Benefits	286,028		286,028
Professional Services	1,640,905		1,640,905
Occupancy	1,567,356		1,567,356
Equipment Lease	48,902		48,902
Utilities	61,865		61,865
Telecommunication	15,928		15,928
Repairs & Maintenance	211,381		211,381
Supplies & Materials	151,462		151,462
Dues & Fees	21,035		21,035
Travel	102,258		102,258
Advertising	31,921		31,921
Insurance	1,996		1,996
Miscellaneous	2,363		2,363
Depreciation	80,232		80,232
Total Expenses	5,599,161		5,599,161
CHANGE IN NET ASSETS	(42,081)		(42,081)
NET ASSETS, beginning of year as restated	(250,970)		(250,970)
NET ASSETS, end of year	\$ (293,051)	\$	\$ (293,051)

See accompanying notes to the financial statements.

PHOENIX EDUCATION MANAGEMENT, LLC
 dba PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
 STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

Expenses	<u>Program Expense</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,111,169	\$ 264,360	\$ 1,375,529
Payroll Taxes & Benefits	236,331	49,697	286,028
Professional Services	1,544,584	96,321	1,640,905
Occupancy	1,373,474	193,882	1,567,356
Equipment Lease	42,853	6,049	48,902
Utilities	61,865		61,865
Telecommunication	15,928		15,928
Repairs and Maintenance	211,381		211,381
Supplies & Materials	108,810	42,652	151,462
Dues & Fees	14,680	6,355	21,035
Travel	36,169	66,089	102,258
Advertising		31,921	31,921
Insurance	1,996		1,996
Miscellaneous	875	1,488	2,363
Depreciation		80,232	80,232
	<u>\$ 4,760,115</u>	<u>\$ 839,046</u>	<u>\$ 5,599,161</u>

See accompanying notes to the financial statements.

PHOENIX EDUCATION MANAGEMENT, LLC
 dba PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
 STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (42,081)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	80,232
(Increase) decrease in grants receivable	(22,601)
(Increase) decrease in Right-of-Use Assets for Operating Leases	178,874
Increase (decrease) in accounts payable	28,298
Increase (decrease) accrued payroll liabilities	(6,905)
Increase (decrease) due to state	248,654
Increase (decrease) Operating Lease Liabilities	57,763
Total Adjustments	564,315
CASH PROVIDED BY OPERATING ACTIVITIES	522,233

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchases of fixed assets	(53,800)
CASH USED FOR INVESTING ACTIVITIES	(53,800)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Note Payable	(600,000)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(600,000)

NET INCREASE (DECREASE) IN CASH (131,567)

CASH AT BEGINNING OF YEAR 338,115

CASH AT END OF YEAR \$ 206,551

Supplemental Disclosures

RIGHT OF USE ASSETS OBTAINED IN EXCHANGE
 FOR NEW OPERATING LEASE LIABILITIES (17,093,755)

CASH PAID DURING THE YEAR FOR:
 INTEREST \$ -

See accompanying notes to the financial statements.

PHOENIX EDUCATION MANAGEMENT, LLC
dba PIONEER TECHNOLOGY AND ARTS ACADEMY of ARIZONA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

A. Organization:

Pioneer Technology and Arts Academy of Arizona (the School) is an Arizona not-for-profit corporation formed on January 14, 2021. The School, formerly known as SABIS International School, was obtained on June 30, 2021, via a sales agreement with SABIS Educational Systems, Inc for the membership interest in Phoenix Education Management, LLC (PEM). The School operates under a charter contract with the Arizona State Board for Charter Schools, which mandates policy and operational guidelines. The charter contract will expire on June 30, 2035. The School currently operates one elementary school, serving grades K-8.

B. Summary of Significant Accounting Policies:

BASIS OF ACCOUNTING AND PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of Not-for-Profit Entities. The School is required to report information regarding its financial position and activities according to two classes of net assets.

CLASSIFICATION OF NET ASSETS

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- (or certain grantor-) 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONTRIBUTIONS

The School follows the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor 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 activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

PHOENIX EDUCATION MANAGEMENT, LLC
dba PIONEER TECHNOLOGY AND ARTS ACADEMY of ARIZONA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

B. Summary of Significant Accounting Policies: (Continued)

PROPERTY AND EQUIPMENT

Property and equipment with a cost of \$5,000 or more and an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation is provided on the straight-line basis over the following estimated useful lives of the respective assets:

Furniture, fixtures, and equipment	3-7 years
Leasehold improvements	2-10 years

LEASES

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (topic 815), and Leases (topic 842): Effective Dates*; ASU 2020-02, *Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*; and ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The School elected to adopt these ASUs using the modified retrospective approach required by the standards and implementing the standards using the effective date method, which established July 1, 2022 as both the effective date and date of initial application. The School elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the School to carry forward the historical lease classification. In addition, the School made the following elections: to use hindsight in determining the lease term for existing leases; to apply the short-term lease exception to all leases with a term of one year or less; and to use a risk-free discount rate for all operating leases, determined using a period comparable with that of the lease term.

The adoption of the ASUs had a material impact on the School's statement of financial position and on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. ROU assets represent 's right to use an underlying asset for the lease term, and lease liabilities represent the School's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Operating lease ROU assets also include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

PHOENIX EDUCATION MANAGEMENT, LLC
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

B. Summary of Significant Accounting Policies: (Continued)

DONATED SERVICES

Donated services are recognized only if the services received either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of volunteers have made contributions of their time to the School to help with programs, provide clerical support and general maintenance. The value of this contributed time is not reflected in the financial statements since it does not meet either of the recognition criteria.

ADVERTISING

Advertising costs are expensed as incurred.

INCOME TAXES

The School is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

CONCENTRATIONS

The School places its cash deposits with financial institutions which carry Federal Deposit Insurance Corporation (FDIC) coverage on monies not exceeding \$250,000. At times, such cash may be in excess of FDIC insurance limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant risks on cash.

C. Liquidity and Availability of Financial Assets:

The School monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The School has the following financial assets at June 30, 2023 that could readily be made available within one year of fiscal year end to fund expenses without limitations:

Financial assets at year-end:		
Cash and cash equivalents	\$	206,551
Grants receivable		22,601
Total financial assets		<u>229,152</u>
Less those unavailable for general expenditures within one year, due to:		
Cash restrictions as to use		<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>229,152</u>

In addition to financial assets available to meet general expenditures over the year, the School operates with a balanced budget and anticipates covering its general expenditures by collecting state revenues, grants and other revenues, and from support provided by related parties.

PHOENIX EDUCATION MANAGEMENT, LLC
dba PIONEER TECHNOLOGY AND ARTS ACADEMY of ARIZONA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

D. Capital Assets

Capital assets consist of the following as of June 30, 2023:

	2022	Additions	Disposals	2023
Leasehold Improvements	\$ 222,883	\$ 46,971	-	\$ 269,855
Furniture & Equipment	244,496	6,829	-	251,325
	<u>467,379</u>	<u>53,800</u>	<u>-</u>	<u>521,179</u>
Less Accumulated Depreciation	(126,861)	(80,232)	-	(207,093)
Capital Assets, Net	<u>\$ 340,518</u>	<u>\$ (26,432)</u>	<u>-</u>	<u>\$ 314,086</u>

E. Operating Leases

On July 1, 2021, the School entered into an agreement with SSS Education, Inc (SSS), for the lease of educational facilities. The lease term is 420 months (35 years) commencing on July 1, 2021 and ending on June 30, 2056. The agreement requires that the school reimburses SSS for the debt service used to finance such facilities. The school lease payments for the year ended June 30, 2023 were \$1,330,768.

In addition, the School maintains several equipment leases paid on a monthly basis:

Lessor	Description	Term	Rate
Wells Fargo Financial	Kyocera Copiers (4)	11/14/21 - 02/17/27	\$ 2,241
Marlin Capital	VoIP Equipment	11/17/21 - 02/17/26	\$ 341
Marlin Capital	VoIP Equipment	09/13/22 - 09/13/27	\$ 50

Future payments under lease agreements for years ending June 30, are as follows:

Fiscal Year End	Facilities	VoIP #1	Copiers	VoIP #2	Total
2024	\$ 1,215,996	\$ 4,092	\$ 26,892	\$ 600	\$ 1,247,580
2025	1,215,996	4,092	26,892	600	1,247,580
2026	1,215,996	4,092	26,892	600	1,247,580
2027	1,215,996	1,364	15,687	600	1,233,647
2028	1,215,996	-	-	150	1,216,146
Thereafter	33,946,555	-	-	-	33,946,555
	<u>\$40,026,535</u>	<u>\$ 13,640</u>	<u>\$ 96,363</u>	<u>\$ 2,5500</u>	<u>\$ 40,139,088</u>
					<u>Less Present Value Discount</u>
					<u>(22,987,570)</u>
					Total Operating Lease Liabilities
					17,151,518
					Less Current Portion
					<u>(190,559)</u>
					Long-Term Portion of Operating Lease Liabilities
					<u>16,960,959</u>

F. Pension Plan

Effective July 2021, the School adopted a 401(k) savings plan. Employees who have reached the age of 21 and completed one year of eligible service, which is 1,000 hours during the first 12 months of employment, are eligible to contribute. The School makes a matching contribution of 20% of employee contributions, up to 5% of the employee's total compensation. Vesting starts at 20% after two years of service and reaches 100% after six years of service. School matching contributions for the year ended June 30, 2023 were \$13,736.

PHOENIX EDUCATION MANAGEMENT, LLC
dba PIONEER TECHNOLOGY AND ARTS ACADEMY of ARIZONA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

G. Net Assets with Donor Restrictions

Net assets with donor restrictions activity for the year ending June 30, 2023 was as follows:

	2022	Contributions	Releases	2023
State Equalization	\$ -	3,414,509	(3,414,509)	\$ -
Classroom Site Funds		357,071	(357,071)	
State School Fund Prop 123		28,362	(28,362)	
Other State Fund	-	17,141	(17,141)	
	<u>\$ -</u>	<u>3,817,083</u>	<u>(3,817,083)</u>	<u>\$ -</u>

H. Related Party Transactions

On July 1, 2021, the school entered into a five-year agreement to receive charter management and educational services from SSS Partners. Shubham Pandey is the President of SSS Partners, as well as the Executive Director, and board member, for Pioneer Technology & Arts Academy. Per the agreement, the School will be charged 12% of the annual state revenue payments based on the State's per pupil funding plan. The amount charged for the year ended June 30, 2023 was \$406,764. The outstanding payable of \$316,960 was forgiven on June 30, 2023 and recorded as a contribution in the statement of activities.

The School has a facilities lease agreement (see Note E) with SSS Education Corp. Shubham Pandey is the Board Chair of SSS Education Corp. In addition, the School received advances from SSS Education Corp. during the year of \$780,000 resulting in a total amount due of \$1,380,000. The full amount of the note due was forgiven on June 30, 2023 and recorded as a contribution in the statement of activities.

I. Commitments and Contingencies

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2023, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, will not have a material effect on the overall financial position of the School.

From time to time, the School is subject to certain claims and contingent liabilities that arise in the normal course of business. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the School's financial position.

J. Economic Dependency

For the year ended June 30, 2023, approximately 99% of the School's revenue was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301), and various other state funding sources. Collection from the state government is reasonably assured provided that the School has complied with the terms stipulated in its contract with the Arizona State Board for Charter Schools, as well as grant funding requirements. Changes in state funding levels for charter schools could have a significant impact on the School's ability to operate.

PHOENIX EDUCATION MANAGEMENT, LLC
dba PIONEER TECHNOLOGY AND ARTS ACADEMY of ARIZONA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

K. Prior Period Adjustment

During the year ended June 30, 2023, the School recorded an adjustment resulting in a decrease to opening net assets, as previously stated, at June 30, 2022. The adjustment reflected a correction related to revenue recognition during fiscal year ended June 30, 2022. The School was notified by the state of Arizona that certain federal revenues would need to be returned. The adjustment also resulted in the recordation of a liability for the corresponding amount.

L. Evaluation of Subsequent Events

The School evaluated its financial statements for subsequent events through November 14, 2023, the date the financial statements were available to be issued. The School is not aware of any subsequent events which would require an adjustment or disclosure in the financial statements.

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

To the Board of Directors of
Phoenix Education Management, LLC
dba Pioneer Technology and Arts Academy of Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Phoenix Education Management, LLC dba Pioneer Technology and Arts Academy of Arizona (PTAAA) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PTAAA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PTAAA's internal control. Accordingly, we do not express an opinion on the effectiveness of PTAAA's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PTAAA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

LOUISIANA • TEXAS

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Houston, Texas
November 14, 2023

PHOENIX EDUCATION MANAGEMENT, LLC
dba PIONEER TECHNOLOGY AND ARTS ACADEMY of ARIZONA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. An audit of major programs was not required because expenditures of federal awards were less than \$750,000.

Current Year Findings

Questioned
Costs

No audit findings were noted as per governmental auditing standards.

\$ -0-

Summary Schedule of Prior Year Findings

This is an initial audit, therefore, there are no prior year audit findings.