

PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA

Audited Financial Statements
June 30, 2024

PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
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Independent Auditor's Report on the Financial Statements

Board of Directors
Pioneer Technology and Arts Academy of Arizona
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pioneer Technology and Arts Academy of Arizona (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities, cash flows and functional expenses, for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pioneer Technology and Arts Academy of Arizona as of June 30, 2024 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 Opinion

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 Pioneer Technology and Arts Academy of Arizona 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.

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 Pioneer Technology and Arts Academy of Arizona's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

Independent Auditor's Report on the Financial Statements (Continued)

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 Pioneer Technology and Arts Academy of Arizona's internal control.

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 Pioneer Technology and Arts Academy of Arizona'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 October 29, 2024, on our consideration of Pioneer Technology and Arts Academy of Arizona'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 Pioneer Technology and Arts Academy of Arizona'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 Pioneer Technology and Arts Academy of Arizona's internal control over financial reporting and compliance.



Henry J. Fortino, CPA, PC
Tucson, Arizona
October 29, 2024

Pioneer Technology and Arts Academy of Arizona
Statement of Financial Position
June 30, 2024

ASSETS

Current Assets:

Cash	\$ 369,411
Due from State of Arizona	<u>98,895</u>

Total Current Assets 468,306

Property and Equipment, net 259,951

Total Assets \$ 728,257

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 135,397
Accounts payable - affiliate	184,776
Accrued payroll and related liabilities	90,178
Advances from affiliate	<u>316,703</u>

Total Current Liabilities 727,054

Net Assets:

Net assets without donor restrictions 1,203

Total Net Assets 1,203

Total Liabilities and Net Assets \$ 728,257

The accompanying notes are an integral part of these financial statements

Pioneer Technology and Arts Academy of Arizona
Statement of Activities
Year Ended June 30, 2024

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Support and Revenue:		
State equalization revenue		\$ 3,827,809
Other State revenue		483,577
Federal grants		557,032
Donations and other		<u>626,889</u>
	Total Support and Revenue	<u>5,495,307</u>
Expenses:		
Program Services:		
Academic		4,600,419
Supporting Services:		
General and administration		<u>973,634</u>
	Total Expenses	<u>5,574,053</u>
	Increase in Net Assets Without Donor Restrictions before Unusual Item	(78,746)
	Unusual item - Gain on termination of long-term lease	<u>373,000</u>
	Increase in Net Assets	294,254
NET DEFICIT BEGINNING OF YEAR		<u>(293,051)</u>
NET ASSETS END OF YEAR		<u>\$ 1,203</u>

The accompanying notes are an integral part of these financial statements

Pioneer Technology and Arts Academy of Arizona
Statement of Cash Flows
Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 294,254
Adjustments to reconcile the increase in net assets to net cash used by operating activities:	
Noncash items:	
Depreciation	81,935
Gain on termination of long-term lease	(373,000)
Changes in assets and liabilities:	
Due from State of Arizona	(332,501)
Operating lease rou asset/lease liability	136,363
Accounts payable and accrued liabilities	66,906
Net Cash Used By Operating Activities	<u>(126,043)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(27,800)</u>
Net Cash Used By Investing Activities	<u>(27,800)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Advances from affiliate - net	<u>316,703</u>
Net Cash Provided By Financing Activities	<u>316,703</u>

INCREASE IN CASH 162,860

CASH AT BEGINNING OF YEAR 206,551

CASH AT END OF YEAR \$ 369,411

The accompanying notes are an integral part of these financial statements

Pioneer Technology and Arts Academy of Arizona
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services	Supporting Services	
	Academic	General and Administration	Total
Salaries and wages	\$ 1,659,514	\$ 192,288	\$ 1,851,802
Payroll taxes and employee benefits	258,449	16,845	275,294
Occupancy costs	512,600	16,713	529,313
Supplies	269,420	25,718	295,138
Education management services	-	444,776	444,776
Purchased services	547,703	235,457	783,160
Lease expense	1,273,256	39,379	1,312,635
Depreciation	79,477	2,458	81,935
	<u>\$ 4,600,419</u>	<u>\$ 973,634</u>	<u>\$ 5,574,053</u>

The accompanying notes are an integral part of these financial statements

PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 -- PURPOSE AND ORGANIZATION

Pioneer Technology and Arts Academy of Arizona (the "School") was organized as a not-for-profit organization in 2021, to provide elementary education, under the laws of the State of Arizona. The School operates a charter school located in Phoenix, Arizona serving students in grades kindergarten through 8th grade.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for Not-For-Profit Organizations.

These principles require the inclusion of a statement of financial position, a statement of activities and a statement of cash flows. They also require the classification of resources into two classes of net assets based on the absence or existence of donor-imposed restrictions.

In order to observe restrictions, which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities, and activities are accounted for in the following net asset classifications:

Net Assets Without Donor Restrictions - not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes or locations by action of the Board of Directors.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations that may be fulfilled by actions of the School to meet the stipulations or become without donor restrictions at a date specified by the donor.

Support and Revenue

Revenue consists primarily of equalization and other revenue from the State of Arizona. The revenue formula is based on the average student count through the School's first 100 days. The School submits its enrollment data to the State at least every 20 days, and the State pays the School monthly based on a prorated portion of the annual calculated funding amount. The School satisfies its performance obligation by providing education to the students throughout the school year and recognizes the revenue as the education is provided.

Support consists primarily of federal grants passed through the State of Arizona. Support is recorded when unconditionally promised to the School and any barriers have been overcome and is considered available for the School's general programs unless specifically restricted by the donor. Federal grants are generally considered unconditionally promised at the time allowable qualifying expenses under the grants are incurred. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions. When a restriction expires, 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. However, if a restriction is satisfied in the same year the contribution is received, the contribution is recorded as without donor restrictions.

Amounts due from the State of Arizona consist primarily of pass-through federal grants and are considered fully collectable.

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by contribution, and which require specialized skills provided by individuals possessing such skills. No contributed services met this criteria for 2024.

PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Pioneer Technology and Arts Academy of Arizona is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. It is not classified as a private foundation. The School's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Leases

The School follows the guidance in ASU 2016-02, Leases (Topic 842). The leasing guidance requires the School to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the Statement of Financial Position in certain instances. The School has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that is reasonably certain to be exercised, are not recorded on the statement of financial position.

Leasehold improvements are associated with a lease between the School and a related party considered to be under common control. These improvements are amortized over their useful life (7-10 years), rather than over the lease term (1 year) since the School controls the use of the underlying assets. The unamortized balance of the leasehold improvements was \$133,900 as of June 30, 2024.

Cash

For purposes of the statement of cash flows, cash includes all highly liquid investments, with an original maturity of three months or less when purchased.

Classroom site fund monies are restricted by State statute for teacher compensation increases and employment-related expenses, student support services, and other projects defined as class size reduction, intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums.

Property and Equipment

It is the School's policy to capitalize individual property and equipment items over \$3,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair values. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the related assets.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ending June 30, 2024 was \$37,200.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

NOTE 3 -- CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the School to concentrations of credit risk consist primarily of cash in banks. The School limits the amount of credit exposure by placing its balances with high credit quality financial institutions. Accounts at each institution are insured up to \$250,000 by the FDIC. The School does not require the financial institutions to provide collateral for amounts exceeding federal insurance coverage. On June 30, 2024, the School had uninsured cash balances of \$148,800.

PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 4 -- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs associated with individual functions are expensed directly as incurred. Depreciation, lease expense and occupancy costs have been allocated based on square footage.

NOTE 5 -- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following on June 30, 2024:

Leasehold improvements	\$297,655
Furniture and equipment	<u>251,324</u>
	548,979
Less accumulated depreciation	<u>(289,028)</u>
	<u>\$259,951</u>

NOTE 6 -- OPERATING LEASES

The School leased a building under a long-term operating lease which was terminated at the end of June 30, 2024. The lease was with an entity that is affiliated with the School through common management. In conjunction with the lease termination the School recognized a gain of \$373,000 which represented the net value of the lease right-of-use asset and lease liability at June 30, 2024. The School subsequently signed a new lease with this same entity, which is for one year, and will be renewed annually. The School is responsible for all maintenance, repairs, and utilities. Lease expense for the lease with this entity was approximately \$1,282,000 for the year ending June 30, 2024.

NOTE 7 -- RELATED PARTY TRANSACTIONS

The School has entered into an educational management services contract with an entity that has common management in exchange for 12% of its equalization revenue. During the year ended June 30, 2024, the School incurred costs of \$444,776 of which \$260,000 was donated back to the School and \$184,776 remains unpaid and is included in the accounts balance - affiliate balance on June 30, 2024. This entity also donated an additional amount of \$350,000 to the School during the year ending June 30, 2024.

This entity occasionally provides working capital advances to the School to assist with day to day expenses. During the year ending June 30, 2024 the School was loaned \$589,700 of which \$316,703 remains unpaid at June 30, 2024 and is included in the advances from affiliates balance on June 30, 2024. The advances have no repayment terms, bear no interest and are uncollateralized.

NOTE 8 -- CONTINGENCIES

The School's compliance with certain laws and regulations is subject to review by the Arizona State Board for Charter Schools and the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in an adjustment of State equalization revenue or other corrective action.

PIONEER TECHNOLOGY AND ARTS ACADEMY OF ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 9 -- INFORMATION REGARDING LIQUIDITY AND AVAILABILITY OF RESOURCES

The School strives to maintain liquid financial assets sufficient to cover 30 days of general expenditures. Financial assets in excess of daily cash requirements are generally maintained in the School's checking account. The following table reflects the School's financial assets as of June 30, 2024 which are available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$369,411
Due from State of Arizona	<u>98,895</u>
Total financial assets available to meet cash needs for general expenditures	<u>\$468,306</u>

NOTE 10 -- SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 29, 2024, the date which the financial statements were available to be issued.



**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***

Board of Directors
Pioneer Technology and Arts Academy of Arizona
Phoenix, 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 Pioneer Technology and Arts Academy of Arizona (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pioneer Technology and Arts Academy of Arizona'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pioneer Technology and Arts Academy of Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Pioneer Technology and Arts Academy of Arizona'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pioneer Technology and Arts Academy of Arizona'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 determination of financial statement amounts. 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*.

**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*
(Continued)**

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 Pioneer Technology and Arts Academy of Arizona's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pioneer Technology and Arts Academy of Arizona's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry J. Fortino, CPA, P.C.

Henry J. Fortino, CPA, PC
Tucson, Arizona
October 29, 2024