



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**ASSOCIATION OF CHARTER SCHOOL
EDUCATION SERVICES**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020,
With Comparative Totals for 2019**

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
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**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
OFFICIAL ROSTER
As of June 30, 2020**

Executive Committee		
Name	Title	Representing
Jesus Moncada	President	Christine Duncan Heritage Academy
Coreen Carrillo	Vice President	SAMS
Kelly Callahan	Secretary	PCSNM
Mark Tolley	Treasurer	Corrales International School
Monica Aguilar	NMCCS Representative	Mark Armijo Academy
Eric Ahner	Member at Large	Las Montanas Charter School
Ray Griffin	Member at Large	Turquoise Trail Charter School
Dr. Susan McConnell	Member at Large	North Valley Academy
Mark Riechert	Member at Large	Roots and Wings
Casey Benavidez	NMCCS Representative	Cien Aguas
Alan Brauer	PED Representative	PED

Administrative Officials	
Name	Title
Matt Pahl	Executive Director
Max Luft	Deputy Director



INDEPENDENT AUDITOR’S REPORT

Board of Directors and Management of
Association of Charter School Education Services
and Mr. Brian Colón, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Association of Charter School Education Services (ACES), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise ACES’ basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of ACES, as of June 30, 2020, and the respective changes in financial position and cash flows thereof, for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited ACES' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020 on our consideration of ACES' 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 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 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 ACES' internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
September 25, 2020

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020, With Comparative Totals for 2019**

Introduction

Management of the Association of Charter School Education Services (ACES) offers readers of ACES' financial statements this narrative overview and analysis of the financial activities of ACES for the fiscal year ended June 30, 2020. Since the information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with ACES' basic financial statements beginning on page 8.

Financial Highlights

Key events for the fiscal year 2020 are:

The assets of ACES exceeded liabilities at the close of the most recent fiscal year by \$74,597 (total net position). Total net position is unrestricted.

ACES' total reported net position increased by \$7,922 compared to the prior year increase in net position of \$24,434.

As of June 30, 2020, ACES had total assets of \$448,475 all of which are classified as current. Current liabilities include \$417,274 in accounts payable and \$31,201 in accrued payroll liabilities. ACES did not have any noncurrent liabilities as of year-end.

Overview of the Financial Statements

ACES is a special purpose government agency engaged only in business-type activities. Therefore, in accordance with GASB Statement No. 34, ACES' financial statements are comprised of four components:

1. Independent Auditor's Report
2. Management's Discussion and Analysis (Required Supplementary Information)
3. Basic Financial Statements
4. Other Information, which includes certain required supplementary information, other supplementary information and other required NM State Auditor schedules

These financial statements are designed to provide readers with a broad overview of ACES' finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on ACES' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of ACES is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how ACES' net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020, With Comparative Totals for 2019**

related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and accounts payable).

The Statement of Cash Flows presents information on how ACES' cash was used. It shows net cash used by or provided by operating activities, capital financing activities, noncapital financing activities and investing activities. It also reconciles beginning cash balances to ending cash balances.

The Notes to the Financial Statements provide additional information that explains the numbers provided in the financial statements.

Government-Wide Financial Analysis—Broad Overview of Finance

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of ACES, a positive net position balance (total assets exceeding total liabilities) of \$66,803 is reported as of the year ended, June 30, 2020, compared to \$66,675 reported as of **June 30, 2019**. The entire balance of net position is unrestricted for both years respectively.

The following is a summary of the Statement of Net Position:

The net position of the ACES' business-type activities increased by \$7,922 or 11.88% during the year, from \$66,675 at June 30, 2019 to \$74,597 at June 30, 2020, indicating slight improvement in ACE' financial condition. ACES' total net position is classified as unrestricted for both years respectively.

	2020	2019	Variance
Assets:			
Cash	\$ 73,400	94,387	(20,987)
Accounts receivable - trade	442,174	421,378	20,796
Due from employees	6,767	-	6,767
Prepaid expense	731	1,388	(657)
Total assets	\$ 523,072	517,153	5,919
Liabilities:			
Current liabilities			
Accounts payable - trade	\$ 417,274	422,744	5,470
Accrued payroll and benefits	31,201	27,734	(3,467)
Noncurrent liabilities	-	-	-
Total liabilities:	448,475	450,478	2,003
Net Position:			
Unrestricted	74,597	66,675	7,922
Total net position	74,597	66,675	7,922
Total liabilities, and net position	\$ 523,072	517,153	5,919

The following table shows the revenues and expenses for ACES for the current and prior fiscal year:

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

	2020	2019	Variance
Operating Revenues			
Procurement	\$ 5,142,264	3,985,742	1,156,522
Cadre services	321,594	230,532	91,062
Related services	732,685	1,050,660	(317,975)
Administration	103	9,496	(9,393)
Total revenues	<u>6,196,646</u>	<u>5,276,430</u>	<u>920,216</u>
Operating Expenses			
Cost of services			
Procurement	5,080,917	3,939,591	1,141,326
Cadre services	299,044	214,346	84,698
Related services	688,305	999,627	(311,322)
Uncollectable A/R write-off	-	-	-
Total cost of services	<u>6,068,266</u>	<u>5,153,564</u>	<u>914,702</u>
Gross Profit	128,380	122,866	5,514
Administration expenses			
Salaries and wages	83,279	65,872	17,407
Employee benefits	56	85	(29)
Payroll taxes	7,324	6,402	922
Legal/accounting services	10,788	9,869	919
Travel	5,712	5,215	497
Office expense	3,552	4,484	(932)
Computer and internet	6,379	4,097	2,282
Insurance-property and liability	2,703	2,028	675
Postage and freight	465	380	85
Rent	200		
Total expenses	<u>120,458</u>	<u>98,432</u>	<u>21,826</u>
Operating Income/(loss)	7,922	24,434	(16,312)
Non-operating revenues			
Interest income	-	12	(12)
Total non-operating revenues	<u>-</u>	<u>12</u>	<u>(12)</u>
Change in net position	7,922	24,446	(16,324)
Total net position, beginning of year	66,675	42,229	24,446
Total net position - end of year	<u>\$ 74,597</u>	<u>66,675</u>	<u>7,922</u>

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020, With Comparative Totals for 2019**

Total business-type activities generated operating revenues of \$6,196,646 while cost of services totaled \$6,068,266 for the year ended June 30, 2020, resulting in a gross profit of \$128,380. Administrative expenses totaled \$120,458 and non-operating revenues were \$0 for the year ended June 30, 2020. All of these factors resulted in an increase in net position of \$7,922. Comparatively, operating revenues were \$5,276,430 and cost of services totaled \$5,153,564 resulting in gross profit of \$122,866 for the year ended **June 30, 2019**. Administrative expenses were \$98,432 and non-operating revenues totaled \$12 resulting in an increase in net position of \$24,446.

Key elements of the increase in net position of compared to prior year include:

Increased procurement services revenues primarily due to an increased need for business office solutions and food services by participating members.

Increased related services revenues due to an increased need for maintenance and substitute teacher services.

Fiscal Year 2020 Budgetary Highlights

At the beginning of fiscal year 2020, an initial budget was presented to ACES Executive Committee of the Board for their review and approval. For the year there were five budget adjustments approved by the Executive Committee.

The original budget projected total revenues of \$6,000,000. To reflect increases in projected revenues, the budget was increased during the year to a final budget of \$6,196,646 Original budgeted expenses were projected to be \$5,978,250 and was adjusted during the year to a final budget of \$6,196,568.

The following is a summary of the final budget as compared to actual activity for the period ending June 30, 2020.

	Final Budget	Actual	Favorable (Unfavorable)
Revenues	\$ 6,196,646	6,196,646	-
Cost of services	6,031,568	6,068,266	(36,698)
Administrative expenses	139,907	120,458	19,449
Non-operating income	-	-	-
Increase in net position	\$ 25,171	7,922	(17,249)

Capital Improvements and Asset Management

ACES requires, property, and equipment with a historical cost of \$5,000 and a useful life of greater than one year to be capitalized, however ACES did not maintain any capital assets as of June 30, 2020.

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
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Financial Outlook for Next Year

ACES approved budget for fiscal year 2021 anticipates \$6,000,000 in total revenues. Cost of services are projected to be \$5,802,555 and total expenses are expected to be \$5,992,363. Due to increasing costs, gross profit is expected to total \$7,637 an approximate 11% decrease over fiscal year 2020.

Requests for Information

This financial report is designed to provide a general overview of the Association of Charter School Education Services' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Christy Takacs, Executive Director (ed@nmaces.org, (575) 308-1844), or Dr. Max Luft, Deputy Director and Chief Financial Officer (max.l@nmaces.org, (505)-269-2109. The address is P.O. Box 3146, Albuquerque, NM 87190.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF NET POSITION
For the Year Ended June 30, 2020, With Comparative Totals for 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 73,400	94,387
Accounts receivable - trade	442,174	421,378
Due from employees	6,767	-
Prepaid expenses	731	1,388
Total current assets	<u>523,072</u>	<u>517,153</u>
Total assets	<u>\$ 523,072</u>	<u>517,153</u>
 LIABILITIES		
Current liabilities		
Accounts payable - trade	\$ 417,274	422,744
Accrued payroll and benefits	31,201	27,734
Total current liabilities	<u>448,475</u>	<u>450,478</u>
Total liabilities	<u>448,475</u>	<u>450,478</u>
 NET POSITION		
Unrestricted	<u>74,597</u>	<u>66,675</u>
Total net position	<u>74,597</u>	<u>66,675</u>
Total liabilities, and net position	<u>\$ 523,072</u>	<u>517,153</u>

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are integral to these financial statements

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020, With Comparative Totals for 2019

	2020	2019
OPERATING REVENUES		
Procurement	\$ 5,142,264	3,985,742
Cadre services	321,594	230,532
Related services	732,685	1,050,660
Administration	103	9,496
Total operating revenues	6,196,646	5,276,430
OPERATING EXPENSES		
Cost of services		
Procurement	5,080,917	3,939,591
Cadre services	299,044	214,346
Related services	688,305	999,627
Uncollectable A/R write-off	-	-
Total cost of services	6,068,266	5,153,564
Gross profit	128,380	122,866
ADMINISTRATION EXPENSES		
Salaries and wages	83,279	65,872
Employee benefits	56	85
Payroll taxes	7,324	6,402
Legal/accounting services	10,788	9,869
Travel	5,712	5,215
Office expense	3,552	4,484
Computer and internet	6,379	4,097
Insurance-property and liability	2,703	2,028
Postage and freight	465	380
Rent	200	
Total expenses	120,458	98,432
Operating income/(loss)	7,922	24,434
Non-operating revenues		
Interest income	-	12
Total non-operating revenues	-	12
Change in net position	7,922	24,446
Net position, beginning of year	66,675	42,229
Net position, end of year	\$ 74,597	66,675

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are integral to these financial statements

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members	\$ 6,175,850	5,079,141
Payments to employees	(585,530)	(587,871)
Payments to suppliers and contractors	(5,611,307)	(4,496,890)
Net cash (used) by operating activities	(20,987)	(5,620)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	-	12
Net cash provided by investing activities	-	12
Net (decrease) in cash and cash equivalents	(20,987)	(5,608)
Cash and cash equivalents, beginning of year	94,387	99,995
Cash and cash equivalents, end of year	\$ 73,400	94,387
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating income	\$ 7,922	24,434
Change in assets and liabilities:		
(Increase) decrease in accounts receivable- trade	(20,796)	(197,289)
(Increase) decrease in accounts receivable- other	(6,767)	-
(Increase) decrease prepaid expenses	657	-
Increase (decrease) in accounts payable	(5,470)	172,876
Increase (decrease) in accrued payroll and benefits	3,467	(5,641)
Net cash (used) by operating activities	\$ (20,987)	(5,620)

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are integral to these financial statements

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

NOTE 1—NATURE OF BUSINESS AND REPORTING ENTITY

Nature of Operations—Purpose

Organization/Joint Power Agreement

The Association of Charter School Education Services (ACES) was formed on July 3, 2013, by members of charter schools by entering into a Joint Powers Agreement to Establish an Educational Cooperative, as approved by the New Mexico Department of Finance and Administration (DFA). The Joint Power Agreement established a legal public entity. As of June 30, 2020, there were 82 charter school members. ACES provides a wide range of educational services including state-wide cooperative purchasing, services such as business management, student management, technology assistance, teacher and administration training and other professional service, and general consulting.

Membership

ACES is an organization comprise of New Mexico charter schools. ACES is a membership organization that is open to New Mexico charter schools. Members may be added or deleted pursuant to the Joint Power Agreement. The governance of ACES is vested in the JPA Membership Board which is comprised of the Chief Executive Officer of each charter school member.

ACES' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by ACES are discussed below.

Financial Reporting Entity

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the natures and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the notion of financial accountability as the cornerstone of all reporting in governments.

A primary government is any state or general-purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government, the ACES is a local government unit and is the primary government for the financial presentation.

ACES does not have any component units during the year ended June 30, 2020.

In addition, ACES has no tax abatement agreements. GASB 77 disclosures are not required.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing US GAAP for state and local government accounting and financial reporting principles.

A—Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of Presentation—Fund Financial Statements

ACES' activities are reported as business-type activities. As a result, the financial statements are comprised of proprietary fund financial statements. Proprietary statements include the following statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

Enterprise Fund

The “Operating Fund” is an enterprise fund (proprietary fund) that is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating and Non-Operating Items

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of ACES are procurement, Cadre services, administrative services and other related program generated from its services. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

B—Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures for amounts associated with assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

C—Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, Net Position, Revenues and Expenses

Cash and Cash Equivalents

ACES considers all short-term securities purchased with maturity of three months or less and not held in trust to be cash equivalents.

Accounts Receivable - trade

All receivables are deemed fully collectible, and an allowance for doubtful accounts has not been established. All amounts are deemed collectible within one year of June 30, 2020. ACES uses the direct write-off method when necessary. Historically these amounts have not been material to the financial statements as a whole.

Prepaid Expenses

Prepaid expenses represent insurance premiums and other annual payments paid during the year for coverage which extends through part of the following year.

Property, Equipment and Depreciation

ACES has established its capitalization policy at \$5,000. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized. ACES records assets (such as, furniture and equipment, including software, building and improvements, land, and ancillary equipment) purchased at cost or, if contributed, at fair market value at date of donation.

ACES has no capitalized assets and has not had any since its inception.

Income Taxes

ACES is exempt from filing tax returns based on the New Mexico Attorney General and Department of Finance and Administration's determination that ACES is a governmental entity.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They include all revenue and

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

expenses not related to capital and related financing, non-capital financing, or investing activities. Non-operating revenues include, miscellaneous income and interest income.

Net Position Classification

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflow of resources. Net investment in capital assets – net of related debt, are capital assets, less accumulated depreciation and any debt related to the acquisition or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by other governments, creditors or grantors.

D—Budgets and Budgetary Accounting

ACES prepared a budget for internal use, however it is not required to provide a legally adopted budget with a government agency in New Mexico and is not presented in these financial statements.

Budgets for revenues and most expenses are adopted on basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budget is presented on the accrual basis of accounting and capitalized fixed capital assets over \$5,000 (if applicable) are not included in the budget.

The Executive Director prepares an overall budget by program for ACES which is adopted by the Executive Committee. This budget includes expected receipts and expenditures of the Operating Fund. ACES is required to prepare budgets for each program. The budgets, used by ACES to monitor each project, are also used for comparisons in the accompanying financial statements. ACES approves its budget by total revenue and expenses by program.

E— Encumbrances

ACES does not use encumbrance accounting.

F—Revenues

The principal operating revenues of ACES are group purchasing, ancillary services, administrative services and other related services generated from its services. Operating expenses include the cost of sales and services, and administrative expenses.

G—Compensated Absences Payable

Employees of ACES are entitled to paid vacation, paid sick days, and personal days off, depending on length of service and average hours worked per week. Employees are allowed to accumulate sick leave. At the end of the fiscal year employees may place 50% of the excess hours in a retirement account approved by ACES, and the remaining hours are forfeited. Therefore, ACES did not record any compensated absences at June 30, 2020.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

NOTE 3—CASH AND CASH EQUIVALENTS

Collateralization

In accordance with Section 6-10-17, NMSA 1978 Compilation, bank deposits of public monies are required to be collateralized. Pledged collateral is required in amounts, in aggregate, to equal one-half of the amount of uninsured public money in each account during the fiscal year. At June 30, 2020 all of ACES' bank balances were fully insured and collateralized.

Securities

Securities which are obligations of the state of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted at par value; all other securities are accepted at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration. All of ACES' cash balances consist of demand deposits.

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure, ACES' deposits may not be returned to it. ACES' deposit policy is to collateralize one-half of the uninsured public money in each account. As of June 30, 2020, none of ACES' bank balances were exposed to custodial credit risk.

ACES' bank accounts were collateralized as follows:

Location	Balance Per Depository	Book Balance
Bank of Albuquerque - Checking	\$ 171,388	92,686
Bank of Albuquerque - Savings	1,701	1,701
Total amount of deposit in bank	\$ 173,089	
FDIC coverage	(173,089)	
Total uninsured public funds	\$ -	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)	\$ -	
Uninsured and uncollateralized		\$ -
Uninsured, collateral held by the pledging institutions or by its trust department or agent, but not in the name of the ACES.		\$ -
Pledging excess		\$ -

NOTE 4—PROPERTY, EQUIPMENT, AND DEPRECIATION

As of the year ended June 30, 2020, ACES had no property and equipment to capitalize and depreciate.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

NOTE 5—NON-QUALIFIED DEFERRED COMPENSATION PLAN

All employees are eligible to participate in a non-qualified deferred compensation plan, sponsored by ACES and administered by trust.

NOTE 6—RETIREMENT PLAN

ACES does not participate in Education Retirement Board (ERB) and does not contribute to the New Mexico Retiree Health Care Plan (RHCP).

NOTE 7—ACCRUED LIABILITIES

Accrued payroll at June 30, is as follows:

<u>Type</u>	<u>2020</u>	<u>2019</u>
Accrued payroll	\$ 25,025	19,537
Accrued payroll taxes	6,176	8,197
Total	<u>\$ 31,201</u>	<u>27,734</u>

NOTE 8—OPERATING LEASES

ACES entered into a lease agreement on June 2020 for office space, payable at \$200 per month that expires in June 2021. Total lease expense for the years ended June 30, 2020 and 2019 were \$200 and \$0, respectively.

The minimum future lease payments required under the operating lease as of June 30 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 2,200
2022	-
2023	-
2024	-
2025	-
Thereafter	-
Total	<u>\$ 2,200</u>

NOTE 9—RELATED PARTY TRANSACTIONS

Deputy Executive Director and the owner of vendor, LDD Consulting, Inc. are father and son. LDD Consulting, Inc. submitted an RFP to provide education technology services. LDD Consulting, Inc. was awarded the contract and is available to the members for technology services. During 2020, the amount paid to LDD Consulting, Inc. by ACES was \$732,252. There is a payable due to LDD Consulting, Inc. at June 30, 2020 in the amount of \$80,911.

Organization had \$6,767 due from two employees. The amounts were repaid after the fiscal year end.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

NOTE 10—JOINT POWERS AGREEMENT

A Joint Powers Agreement to establish New Mexico Charter School Educational Service Association was approved by Department of Finance and Administration on July 3, 2014. The following are participants as of June 30, 2020:

21st Century Public Academy	Los Puentes Charter School
Academy for Technology & Classics (The)	McCurdy Charter School
ACE Leadership High	Media Arts Collaborative Charter School
ACES Technical Charter School	Middle College High School
Albuquerque Charter Academy (SIA Tech)	Mission Achievement and Success Charter School
Albuquerque Collegiate Charter School	Monte del Sol Charter School
Albuquerque School of Excellence	Montessori of the Rio Grande
Albuquerque Sign Language Academy	Moreno Valley High School
Albuquerque Talent Development Academy	Mosaic Academy Charter
Aldo Leopold High School	Mountain Mahogany Community School
Alice King Community Schools	New America School - Las Cruces
Alma d' arte Charter Chigh School for the Arts	New Mexico International School
Altura Preparatory School	New Mexico School for the Arts
Amy Biehl Charter High School	North Valley Academy
Anansi Charter School	Nuestros Valores Charter School
ASK Academy	Pecos Connections Academy
Cesar Chavez Community School	Public Academy for Performing Arts
Christine Duncan's Heritage Academy	Rio Gallinas School for Ecology and the Arts
Cien Aguas International School	Robert F Kennedy Charter School
Coral Community Charter School	Roots and Wings Community School
Corrales International School	San Diego Riverside Charter School
Cottonwood Classical Preparatory School	Sandoval Academy of Bilingual Education (SABE)
Cottonwood Valley Charter School	School of Dreams
DEAP ,Dzil Ditol School of Empowerment, Action and Perseverance	Sidney Gutierrez Middle School
Deming Cesar Chavez Charter High School	Siembra Leadership High School
Digital Arts and Technology Academy	Six Directions Indigenous School
East Mountain High School	Solare Collegiate Charter School
Estancia Valley Classical Academy	South Valley Academy
Explore Academy	South Valley Preparatory School
Gilbert L. Sena Charter High School	Southwest Aeronautics, Mathematics, and Science Acade
Gordon Bernell Charter School	Southwest Primary Learning Center
Health Leadership High School	Southwest Secondary Learning Center
Horizon Academy West	Taos Academy
Hozo Academy	Taos Integrated School of the Arts
International School at Mesa del Sol	Taos International School
J. Paul Taylor Academy	Tech Leadership High School
Jefferson Montessori Academy	The MASTERS Program
La Academia Delores Huerta	Tierra Adentro
La Promisa Early Learning Center	Tierra Encantada Charter School
La Tierra Montessori School of the Arts and Science	Turquoise Trail Charter School
Las Montanas Charter High School	Vista Grande High School
	William W and Josephine Dorn Charter Community Sch

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020, With Comparative Totals for 2019

Party Responsible for Operations

New Mexico Charter School Educational Service Association

Description

JPA to establish ACES for the purpose of pooling efforts and resources in order to bring additional, necessary educational services and tangible personal property to charter school at affordable costs.

Effective

July 3, 2013, until rescinded or terminated by members.

Total Estimated Amount of Projects Applicable to the Agency

Total Revenue \$6,196,646

Amount the Agency Contributed in Current Fiscal Year

None

Audit Responsibility

New Mexico Charter School Educational Service Association

Revenues and Expenditures

Reported to Office of State Auditor

NOTE 11—RISK MANAGEMENT AND LITIGATION

ACES is insured through purchase of commercial insurance policies for general liability and purchases Worker's Compensation Insurance from the New Mexico Self Insurer's Fund. Worker's Compensation claims are handled by the New Mexico Self Insurer's Fund.

NOTE 12—COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. ACES recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. ACES' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. Subsequent to June 30, 2020, as a result of COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the ACES' future cash flows.

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

Governing Board of
Association of Charter School Education Services
and
Mr. Brian Colón, New Mexico State Auditor

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 the business type activities of the Association of Charter School Education Services (ACES) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise ACES' basic financial statements, and have issued our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered ACES' 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 ACES' internal control. Accordingly, we do not express an opinion on the effectiveness of ACES' 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 describe 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 and. Given these limitations, during our audit we did not identify any deficiencies in internal control that

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

September 25, 2020

we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we considered to be a significant deficiency: 2020-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACES' financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002.

ACES' Response to Findings

ACES' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. ACES' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



Hinkle + Landers, PC
Albuquerque, NM
September 25, 2020

**STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2020**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting

a. Material weakness(es) identified?

Yes No

b. Significant deficiencies identified
that are not considered material weakness(es)?

Yes No

c. Noncompliance material to the financial statements noted?

Yes No

**STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020**

SUMMARY OF FINDINGS AND RESPONSES

Reference #	Finding	Status of Prior Year Findings	Type of Finding
Prior Year Findings			
None			
Current Year Findings			
2020-001	Controls over cash disbursements	Current	C
2020-002	Controls over travel and per diem	Current	B, D

* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Finding that Does Not Rise to the Level of a Significant Deficiency (Other Matters)
- D.** Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

CURRENT YEAR FINDINGS

2020-001—CONTROLS OVER DISBURSEMENTS

Type of Finding: (C) Finding that Does Not Rise to the Level of a Significant Deficiency (Other Matters)

Statement of Condition

During our accounts payable testing, we noted that several invoices for the total of \$8,451 were paid with credit card and not cleared from accounts payable listing. As a result, the expenses for those particular invoices were posted twice.

Criteria

Organization policies and procedures and good accounting practices require that transactions be properly documented and authorized. Strong internal controls require that disbursement controls are in place to ensure accurate financial reporting as well as deter and detect fraud.

Effect

The Organization is at a higher risk of financial reporting errors and overstating expenses.

Cause

Current policies and procedures do not contain the proper steps to eliminate duplicate payments.

Recommendation

Policies should be updated to include procedures to cancel invoices when paid to prevent duplicate payments. Management should monitor internal controls in order to ensure the policies and procedures are being followed.

View of Responsible Officials and Corrective Plan

ACES has developed a procedure for increase control of the Reimbursement of Expenses, which the Executive Director is responsible for.

Credit Cards

Commencing June 1, 2020 ACES developed a procedure for control of the ACES credit cards. A company Credit Card was obtained in May for purchase of items for ACES. All receipts are entered on a spreadsheet in the Credit Card Folder by month and year. Each entry contains the purchase date, where purchased, description of purchased item, which entity the purchase is for, account number for posting and the amount of the transaction. All receipts are scanned into the Credit Card Folder by month and year. The employee creating the invoice marks on the Receipts and Checks subsidiary ledger the transaction was paid by card, preventing the vendor payment from also being made by check.

Board Policies

ACES Board Policies relating to immediate cancellation of invoices approved for payment will be reviewed by the Governing Documents committee with changes recommended to the Executive Committee and the JPA Governing Board for final action.

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

2020-002—CONTROLS OVER TRAVEL AND PER DIEM

Type of Finding: (B, D) Significant Deficiency in Internal Control Over Financial Reporting, Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance.

Statement of Condition

We selected a random sample of 6 reimbursement expenses. For 3 out of 6 of disbursements requested for the total of \$2,933, supporting documentation was not provided, documentation that was missing included lack of mileage reimbursement charts, reasons for travel, and amounts of meals/incidentals that were being reimbursed.

Criteria

Per the Regulations Governing the Per Diem and Mileage Act of the New Mexico Administrative Code (NMAC 2.42.2.1), the approval for travel should be documented prior the individual's departure, the time of departure, time of arrival, and business purpose should be included along with supporting documentation for the employee's travel. Additionally, the amount of reimbursement should be verified to ensure the employee or board member is not receiving a payment in excess of the amount due.

Effect

ACES is out of compliance with its own and the State's travel/per diem policies and there is a risk that expenses cannot be substantiated as proper business expenses.

Cause

There did not appear to be an effective oversight process for ensuring supporting documentation is maintained for reimbursements.

Recommendation

ACES should improve its documentation procedures for reimbursement expense transactions to conform to its adopted policies and the required policies of the state of New Mexico.

View of Responsible Officials and Corrective Plan

ACES has developed a procedure for increase control of the Reimbursement of Expenses, which the Executive Director is responsible for.

Timesheets

Commencing May 1 ACES developed a procedure for verifying timesheets. Timesheets are scanned and stored in a Timesheet folder, by month and year. All timesheets are signed by the employee and reviewed and signed by the Executive Director. If working at a school, the school administrator or a school designee approves and signs the timesheet.

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2020

Reimbursement in Lieu of Salary

Commencing May 1, 2020 ACES developed a procedure for verifying Reimbursement in Lieu of Salary payment. Each reimbursement has documentation for each expense. Forms are scanned and stored in a RILS folder, by month and year. All forms are signed by the employee and reviewed and signed by the Executive Director.

Credit Cards

Commencing June 1, 2020 ACED developed a procedure for control of the ACES credit cards. A company Credit Card was obtained in May for purchase of items for ACES. All receipts are entered on a spreadsheet in the Credit Card Folder by month and year. Each entry contains the purchase date, where purchased, description of purchased item, which entity the purchase is for, account number for posting and the amount of the transaction. All receipts are scanned into the Credit Card Folder by month and year. The employee creating the invoice marks on the Receipts and Checks subsidiary ledger the transaction was paid by card, preventing the vendor payment from also being made by check.

Board Policies

ACES Board Policies relating to travel and per diem will be reviewed by the Governing Documents committee with changes recommended to the Executive Committee and the JPA Governing Board for final action.

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
EXIT CONFERENCE
For the Year Ended June 30, 2020

An exit conference was held in a closed session on September 25, 2020, by video conference. In attendance were the following:

Association of Charter School Education Services

Jesus Moncada	ACES President
Christy Takacs	Executive Director
Max Luft	ACES Deputy Director
Lorrie DeLoach	Accounts Receivable
Nancy Bangs	Accounts Payable
Mark Tolley	ACES Treasurer
Susan McConnell	ACES Executive Committee Member
Kelly Callahan	ACES Executive Committee Member
Eric Ahner	ACES Executive Committee Member
Casey Benavidez	ACES Executive Committee Member
Erik Bose	Finance Committee Member
Michael Rodriquez	Finance Committee Member

Hinkle + Landers, PC

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Patrycja Kempa, CPA	Audit Manager

FINANCIAL STATEMENTS

The financial statements of ACES as of June 30, 2020, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.