



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, 2021
With Comparative Totals for 2020**

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
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**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
OFFICIAL ROSTER
As of June 30, 2021**

Executive Committee

Name	Title	Representing
Eric Ahner	President	J. Paul Taylor Academy
Casey Benavidez	Vice President	Cien Aguas International School
Alexandra Boyd	Secretary	The Ask Academy
Mark Tolley	Treasurer	Corrales International School
Jesus Moncada	Member at Large	Christine Duncan Heritage Academy
Dr. Susan McConnell	Member at Large	North Valley Academy
Bridget Barrett	Member at Large	SAMS Academy
Matt Pahl	Ex Officio Member	Public Charter Schools of NM

Administrative Officials

Name	Title
Christy Takacs	Executive Director
Chris Narkun	Director of Finance and Procurement



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, 2021, 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.

Opinion

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, 2021, 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' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 28, 2021 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

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021, With Comparative Totals for 2020**

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, 2021. 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 9.

Financial Highlights

Key events for the fiscal year 2021 are:

The assets of ACES exceeded liabilities at the close of the most recent fiscal year by \$45,175 (total net position). Total net position is unrestricted.

ACES' total reported net position decreased by \$29,419 compared to the prior year increase in net position of \$7,924.

As of June 30, 2021, ACES had total assets of \$824,935 all of which are classified as current. Current liabilities include \$739,385 in accounts payable and \$40,373 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, 2021, With Comparative Totals for 2020**

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 \$45,175 is reported as of the year ended, June 30, 2021, compared to \$74,597 reported as of June 30, 2020. 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 decreased by \$29,419 or -39.44% during the year, from \$74,597 at June 30, 2020 to \$45,175 at June 30, 2021, indicating slight deterioration in ACES' financial condition. ACES' total net position is classified as unrestricted for both years respectively.

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Assets:			
Cash	\$ 19,946	73,400	(53,454)
Accounts receivable - trade	803,600	442,174	361,426
Due from employees	-	6,767	(6,767)
Prepaid expense	1,388	731	657
Total assets	<u>\$ 824,934</u>	<u>523,072</u>	<u>301,862</u>
Liabilities:			
Current liabilities			
Accounts payable - trade	\$ 739,386	417,274	(322,112)
Accrued payroll and benefits	40,373	31,201	(9,172)
Total liabilities:	<u>779,759</u>	<u>448,475</u>	<u>(331,284)</u>
Net Position:			
Unrestricted	<u>45,175</u>	<u>74,597</u>	<u>(29,422)</u>
Total net position	<u>45,175</u>	<u>74,597</u>	<u>(29,422)</u>
Total liabilities, and net position	<u>\$ 824,934</u>	<u>523,072</u>	<u>301,862</u>

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021, With Comparative Totals for 2020**

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

	2021	2020	Variance
Operating Revenues			
Procurement	\$ 5,620,373	5,135,075	485,298
Cadre services	276,780	321,594	(44,814)
Related services	884,592	732,685	151,907
Administration	57	103	(46)
Discounts and rebates	32,098	7,189	24,909
Total revenues	<u>6,813,900</u>	<u>6,196,646</u>	<u>592,345</u>
Operating Expenses			
Cost of services			
Procurement	5,563,631	5,080,917	482,714
Cadre services	244,436	299,044	(54,608)
Related services	849,935	688,305	161,630
Total cost of services	<u>6,658,002</u>	<u>6,068,266</u>	<u>589,736</u>
Gross Profit	155,898	128,380	27,518
Administration expenses			
Salaries and wages	112,663	83,279	29,384
Employee benefits	24,100	56	24,044
Payroll taxes	10,816	7,324	3,492
Legal/accounting services	10,000	10,788	(788)
Travel	4,860	5,712	(852)
Office expense	9,899	3,552	6,347
Computer and internet	7,834	6,379	1,455
Insurance-property and liability	1,999	2,703	(704)
Postage and freight	463	465	(2)
Rent	2,400	200	2,200
Bank fees	286	-	286
Total expenses	<u>185,320</u>	<u>120,458</u>	<u>64,862</u>
Operating Income/(loss)	(29,422)	7,922	(37,344)
Non-operating revenues			
Interest income	-	-	-
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(29,422)	7,922	(37,344)
Total net position, beginning of year	74,597	66,675	7,922
Total net position - end of year	<u>\$ 45,175</u>	<u>74,597</u>	<u>(29,422)</u>

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021, With Comparative Totals for 2020**

Total business-type activities generated operating revenues of \$6,813,900 while cost of services totaled \$6,658,001 for the year ended June 30, 2021, resulting in a gross profit of \$180,289. Administrative expenses totaled \$209,711 and non-operating revenues were \$0 for the year ended June 30, 2021. All of these factors resulted in a decrease in net position of \$29,422. Comparatively, operating revenues were \$6,196,646 and cost of services totaled \$6,068,266 resulting in gross profit of \$128,380 for the year ended June 30, 2020. Administrative expenses were \$120,458 and non-operating revenues totaled \$0 resulting in an increase in net position of \$7,922 for the year ended June 30, 2020.

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 educational technology by participating members.

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

Fiscal Year 2021 Budgetary Highlights

At the beginning of fiscal year 2021, an initial budget was presented to ACES' Executive Committee of the Board for their review and approval. For the year there were two budget adjustments approved by the Executive Committee.

The original budget projected total revenues of \$6,000,000. Original budgeted expenses were projected to be \$5,794,663 and was adjusted during the year to a final budget of \$5,956,563.

The following is a summary of the final budget as compared to actual activity for the period ending June 30, 2021.

	Final Budget	Actual	Favorable (Unfavorable)
Revenues	\$ 6,000,000	6,813,900	813,900
Cost of services	5,956,563	6,658,002	(701,439)
Administrative expenses	210,408	185,320	25,088
Non-operating income	-	-	-
Increase in net position	\$ (166,971)	(29,422)	137,549

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, 2021.

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021, With Comparative Totals for 2020**

Financial Outlook for Next Year

ACES approved budget for fiscal year 2022 anticipates \$6,508,000 in total revenues. Cost of services are projected to be \$6,190,340 and total expenses are expected to be \$6,437,040. Due to management efforts to decrease costs, gross profit is expected to total of \$317,660, an approximate 104% increase 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 Chris Narkun, Director of Finance and Procurement (finance@nmaces.org, (662)-390-3244). The address is P.O. Box 3146, Albuquerque, NM 87190.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF NET POSITION
(PROPRIETARY FUND)
For the Year Ended June 30, 2021, With Comparative Totals for 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 19,946	73,400
Accounts receivable - trade	803,600	442,174
Due from employees	-	6,767
Prepaid expenses	<u>1,388</u>	<u>731</u>
Total current assets	<u>824,934</u>	<u>523,072</u>
Total assets	<u>\$ 824,934</u>	<u>523,072</u>
 LIABILITIES		
Current liabilities		
Accounts payable - trade	\$ 739,386	417,274
Accrued payroll and benefits	<u>40,373</u>	<u>31,201</u>
Total current liabilities	<u>779,759</u>	<u>448,475</u>
Total liabilities	<u>779,759</u>	<u>448,475</u>
 NET POSITION		
Unrestricted	<u>45,175</u>	<u>74,597</u>
Total net position	<u>45,175</u>	<u>74,597</u>
Total liabilities, and net position	<u>\$ 824,934</u>	<u>523,072</u>

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(PROPRIETARY FUND)

For the Year Ended June 30, 2021, With Comparative Totals for 2020

	2021	2020
OPERATING REVENUES		
Procurement	\$ 5,620,373	5,135,075
Cadre services	276,780	321,594
Related services	884,592	732,685
Administration	57	103
Discounts and rebates	32,098	7,189
Total operating revenues	6,813,900	6,196,646
OPERATING EXPENSES		
Cost of services		
Procurement	5,563,631	5,080,917
Cadre services	244,436	299,044
Related services	849,935	688,305
Total cost of services	6,658,002	6,068,266
Gross profit	155,898	128,380
ADMINISTRATION EXPENSES		
Salaries and wages	112,663	83,279
Employee benefits	24,100	56
Payroll taxes	10,816	7,324
Legal/accounting services	10,000	10,788
Travel	4,860	5,712
Office expense	9,899	3,552
Computer and internet	7,834	6,379
Insurance-property and liability	1,999	2,703
Postage and freight	463	465
Rent	2,400	200
Bank fees	286	-
Total expenses	185,320	120,458
Operating (loss)/income	(29,422)	7,922
Non-operating revenues		
Interest income	-	-
Total non-operating revenues	-	-
Change in net position	(29,422)	7,922
Net position, beginning of year	74,597	66,675
Net position, end of year	\$ 45,175	74,597

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, 2021, With Comparative Totals for 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members	\$ 6,452,474	6,175,850
Payments to employees	(566,291)	(585,530)
Payments to suppliers and contractors	(5,939,637)	(5,611,307)
Net cash (used) by operating activities	(53,454)	(20,987)
Net (decrease) in cash and cash equivalents	(53,454)	(20,987)
Cash and cash equivalents, beginning of year	73,400	94,387
Cash and cash equivalents, end of year	\$ 19,946	73,400
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating (loss) income	\$ (29,422)	7,922
Change in assets and liabilities:		
(Increase) decrease in accounts receivable- trade	(361,426)	(20,796)
(Increase) decrease in accounts receivable- other	6,767	(6,767)
(Increase) decrease prepaid expenses	(657)	657
Increase (decrease) in accounts payable	322,112	(5,470)
Increase (decrease) in accrued payroll and benefits	9,172	3,467
Net cash (used) by operating activities	\$ (53,454)	(20,987)

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021, With Comparative Totals for 2020

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, 2021, there were 91 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, 2021. 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, 2021, With Comparative Totals for 2020

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, 2021, With Comparative Totals for 2020

Reclassifications

Certain reclassifications may have been made to the 2020 summarized financial statement information to conform to the current year presentation.

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, 2021. 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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021, With Comparative Totals for 2020

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 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—Revenue Recognition

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.

The following summarizes the revenue recognition policies for major classifications of revenue:

- Government Grants and Contracts—Government grants and contracts are typically recorded on a reimbursement basis. Specifically, when ACES has incurred the expenses in

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021, With Comparative Totals for 2020

compliance with the general and specific requirements of the funding source, both the receivable from the government granting agency and offsetting grant revenue are recorded.

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, 2021.

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, 2021 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, 2021, none of ACES' bank balances were exposed to custodial credit risk.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021, With Comparative Totals for 2020

ACES' bank accounts were collateralized as follows:

Location	Balance Per Depository	Book Balance
Bank of Albuquerque - Checking	\$ 388,577	18,245
Bank of Albuquerque - Savings	1,701	1,701
Total amount of deposit in bank	\$ 390,278	
FDIC coverage	(250,000)	
Total uninsured public funds	\$ 140,278	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)	\$ 70,139	
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.		\$ 336,661
Pledging excess		\$ 266,522

NOTE 4—PROPERTY, EQUIPMENT, AND DEPRECIATION

As of the year ended June 30, 2021, ACES had no property and equipment to capitalize and depreciate.

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 AND RETIREE HEALTH CARE 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:

Type	2021	2020
Accrued payroll	\$ 23,381	25,025
Accrued bonus	2,984	-
Accrued payroll taxes	14,008	6,176
Total	\$ 40,373	31,201

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021, With Comparative Totals for 2020

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, 2021 and 2020 were \$2,400 and \$200, 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>
2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	-
Total	\$ <u>-</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 2021, the amount paid to LDD Consulting, Inc. by ACES was \$943,840. There is a payable due to LDD Consulting, Inc. at June 30, 2021 in the amount of \$32,930.

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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021, With Comparative Totals for 2020

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, 2021:

Academy for Technology and the Classics	Mark Armijo Academy
Albuquerque Bilingual Academy	MASTERS Program (The)
ACE Leadership High	McCurdy Charter School
ACES Technical Charter School	Media Arts Collaborative Charter School
Albuquerque Charter Academy (SIA Tech)	Middle College High School
Albuquerque Collegiate Charter School	Mission Achievement and Success Charter School
Albuquerque School of Excellence	Monte del Sol Charter School
Albuquerque Sign Language Academy	Montessori Elementary and Middle School (The)
Albuquerque Talent Development Academy	Montessori of the Rio Grande Charter
Aldo Leopold High School	Moreno Valley High School
Alice King Community Schools	Mosaic Academy Charter
Alma d' arte Charter Chigh School for the Arts	Mountain Mahogany Community School
Altura Preparatory School	New America School of Las Cruces
Amy Biehl Charter High School	New Mexico International School
Anansi Charter School	New Mexico School for the Arts
ASK Academy	North Valley Academy Charter School
Cesar Chavez Community School	Pecos Cyber Academy
Christine Duncan's Heritage Academy	Public Academy for Performing Arts
Cien Aguas International School	Raices del Saber Xinachtli Community School
Coral Community Charter School	Red River Valley Charter School
Corrales International School	Rio Gallinas School of Ecology and the Arts
Cottonwood Classical Preparatory School	Robert F. Kennedy Charter School
Cottonwood Valley Charter School	Roots and Wings Community School
Deming Cesar Chavez Charter High School	San Diego Riverside Charter School
Digital Arts and Technology Academy	Sandoval Academy of Bilingual Education
Dream Dine Charter School	School of Dreams Academy
Dzil Dit' ooi School of Empowerment	Sidney Gutierrez Middle School
East Mountain High School	Siembre Leadership High School
El Camino Real Academy	Six Directions Indigenious School
Estancia Valley Classical Academy	Solare Collegiate Charter School
Explore Academy - Las Cruces	South Valley Academy
Explore Academy - ABQ	South Valley Preparatory School
Gilbert L. Sena Charter High School	Southwest Aeronautics, Mathematics, and Science Academy
Gordon Bernell Charter School	Southwest Preparatory Learning Center
GREAT Academy (The)	Southwest Secondary Learning Center
Health Leadership High School	Taos Academy
Horizon Academy West	Taos Integrated School of the Arts
Hozho Academy	Taos International School
International School at Mesa del Sol (The)	Technology Leadership High School
J. Paul Taylor Academy	Tierra Adentro
Jefferson Montessori Academy	Tierra Encantada Charter School
La Academia Dolores Huerta	Turquoise Trail Charter School
La Tierra Montessori School of the Arts and Sciences	Twenty-First Century Public Academy
Las Montañas Charter High School	Vista Grande Charter High School
Los Puentes Charter School	VOZ Collegiate Preparatory Charter School
	William W. & Josephine Dorn Charter Community School

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021, With Comparative Totals for 2020

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 \$6,813,900.

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, 2021, 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, 2021, and the related notes to the financial statements, which collectively comprise ACES’ basic financial statements, and have issued our report thereon dated September 28, 2021.

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 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.

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 28, 2021

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 28, 2021

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2021

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
SUMMARY OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2021**

Reference #	Finding	Status of Prior Year Findings	Type of Finding
Prior Year Findings			
2020-001	Controls over cash disbursements	Resolved	C
2020-002	Controls over travel and per diem	Resolved	B, D

Current Year Findings

None

* 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) Involving Internal Control Over Financial Reporting
- 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
EXIT CONFERENCE
For the Year Ended June 30, 2021**

An exit conference was held in a closed session on September 28, 2021, by video conference. In attendance were the following:

Association of Charter School Education Services

Eric Ahner	ACES President
Chris Narkun	Director of Finance and Procurement
Christy Takacs	Executive Director
Nancy Bangs	Accounts Payable
Katherine Moore	Accounts Receivable

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, 2021, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.