



**ASSOCIATION OF CHARTER SCHOOL
EDUCATION SERVICES**

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

**For the Year Ended June 30, 2022
With Comparative Totals for 2021**

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ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
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ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES

OFFICIAL ROSTER

As of June 30, 2022

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
Bridget Barrett	Member at Large	SAMS Academy
Kimberly Ritterhouse	Member at Large	Red Valley River Charter School
Jon Orris	Member at Large	Roots and Wings Community School
Matt Pahl	Ex Officio Member	Public Charter Schools of NM

Administrative Officials	
Name	Title
Christy Takacs	Executive Director
Tammy West	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

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the ACES' basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ACES, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ACES's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ACES's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ACES's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 Prior Year Comparative Information

The prior year comparative information has been derived from the ACES' 2021 financial statements. We have previously audited ACES' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 21, 2022 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 21, 2022

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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, 2022. 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 10.

Financial Highlights

Key events for the fiscal year 2022 are:

The assets of ACES exceeded liabilities at the close of the most recent fiscal year by \$34,789 (total net position). Total net position is unrestricted.

ACES' total reported net position decreased by \$10,386 compared to the prior year decrease in net position of \$29,422.

As of June 30, 2022, ACES had total assets of \$968,719 all of which are classified as current. Current liabilities include \$915,357 in accounts payable and \$18,573 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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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 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 \$34,798 is reported as of the year ended, June 30, 2022, compared to \$45,175 reported as of June 30, 2021. 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 \$10,386 or -22.99% during the year, from \$45,175 at June 30, 2021 to \$34,789 at June 30, 2022, indicating slight deterioration in ACES' financial condition. ACES' total net position is classified as unrestricted for both years respectively.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Assets:			
Cash	\$ 230,803	19,946	210,857
Accounts receivable - trade	736,644	803,600	(66,956)
Due from employees	-	-	-
Prepaid expense	1,272	1,388	(116)
Total assets	\$ <u>968,719</u>	<u>824,934</u>	<u>143,785</u>
Liabilities:			
Current liabilities			
Accounts payable - trade	\$ 915,357	739,386	(175,971)
Accrued payroll and benefits	18,573	40,373	21,800
Total liabilities:	<u>933,930</u>	<u>779,759</u>	<u>(154,171)</u>
Net Position:			
Unrestricted	<u>34,789</u>	<u>45,175</u>	<u>(10,386)</u>
Total net position	<u>34,789</u>	<u>45,175</u>	<u>(10,386)</u>
Total liabilities, and net position	\$ <u>968,719</u>	<u>824,934</u>	<u>143,785</u>

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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

	2022	2021	Variance
Operating Revenues			
Procurement	\$ 7,333,066	5,628,555	1,704,511
Cadre services	176,862	276,780	(99,918)
Related services	741,765	884,592	(142,827)
Administration	12,000	57	11,943
Discounts and rebates	34,870	23,915	10,955
Total revenues	<u>8,298,563</u>	<u>6,813,899</u>	<u>1,473,709</u>
Operating Expenses			
Cost of services			
Procurement	7,251,388	5,563,631	1,687,757
Cadre services	163,531	244,436	(80,905)
Related services	693,484	849,935	(156,451)
Total cost of services	<u>8,108,403</u>	<u>6,658,002</u>	<u>1,450,401</u>
Gross Profit	190,160	155,897	34,263
Administration expenses			
Salaries and wages	127,057	112,663	14,394
Employee benefits	11,826	24,100	(12,274)
Payroll taxes	10,628	10,816	(188)
Legal/accounting services	10,300	10,000	300
Travel	-	4,860	(4,860)
Office expense	8,507	9,898	(1,391)
Computer and internet	15,403	7,834	7,569
Insurance-property and liability	2,660	1,999	661
Postage and freight	621	463	158
Rent	12,000	2,400	9,600
Bank fees	1,544	286	1,258
Total expenses	<u>200,546</u>	<u>185,319</u>	<u>15,227</u>
Operating Income/(loss)	(10,386)	(29,422)	19,036
Total net position, beginning of year	<u>45,175</u>	<u>74,597</u>	<u>(29,422)</u>
Total net position - end of year	<u>\$ 34,789</u>	<u>45,175</u>	<u>(10,386)</u>

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022, With Comparative Totals for 2021**

Total business-type activities generated operating revenues of \$8,298,563 while cost of services totaled \$8,108,403 for the year ended June 30, 2022, resulting in a gross profit of \$190,160. Administrative expenses totaled \$200,546 and non-operating revenues were \$0 for the year ended June 30, 2022. All of these factors resulted in a decrease in net position of \$10,386. Comparatively, operating revenues were \$6,813,899 and cost of services totaled \$6,658,022 resulting in gross profit of \$155,897 for the year ended June 30, 2021. Administrative expenses were \$185,319 and non-operating revenues totaled \$0 resulting in a decrease in net position of \$29,422 for the year ended June 30, 2021.

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

Increase in administrative salaries primarily due to changes in staffing, to include hiring an additional administrative staff.

Increase in other administrative expenses primarily due to contracting procurement consultant and increase in software subscription fees.

Fiscal Year 2022 Budgetary Highlights

At the beginning of fiscal year 2022, an initial budget was presented to ACES' Executive Committee of the Board for their review and approval. There were no budget adjustments made for the year ended June 30, 2022.

The original budget projected total revenues of \$6,508,005. Original budgeted expenses were projected to be \$6,437,040 and there were no adjustments during the year.

The following is a summary of the final budget as compared to actual activity for the period ending June 30, 2022.

	Final Budget	Actual	Favorable (Unfavorable)
Revenues	\$ 6,508,005	8,298,563	1,790,558
Cost of services	6,186,340	8,108,403	(1,922,063)
Administrative expenses	250,700	200,546	50,154
Non-operating income	-	-	-
Increase (decrease) in net position	<u>\$ 70,965</u>	<u>(10,386)</u>	<u>(81,351)</u>

**ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022, With Comparative Totals for 2021**

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, 2022.

Financial Outlook for Next Year

ACES approved budget for fiscal year 2023 anticipates \$8,855,000 in total revenues. Cost of services are projected to be \$8,608,572 and total expenses are expected to be \$8,828,303. Due to management efforts to decrease costs, gross profit is expected to total of \$26,697, an approximate 357% increase over fiscal year 2022.

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 Katherine Moore, Director of Finance (businessoffice@nmaces.org, (928)-600-4093). The address is P.O. Box 16326, Albuquerque, NM 87191.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF NET POSITION
(PROPRIETARY FUND)

For the Year Ended June 30, 2022, With Comparative Totals for 2021

ASSETS	2022	2021
Current assets		
Cash and cash equivalents	\$ 230,803	19,946
Accounts receivable - trade	736,644	803,600
Prepaid expenses	1,272	1,388
Total current assets	968,719	824,934
 Total assets	 \$ 968,719	 824,934
 LIABILITIES		
Current liabilities		
Accounts payable - trade	\$ 915,357	739,386
Accrued payroll and benefits	18,573	40,373
Total current liabilities	933,930	779,759
 Total liabilities	 933,930	 779,759
 NET POSITION		
Unrestricted	34,789	45,175
Total net position	34,789	45,175
 Total liabilities, and net position	 \$ 968,719	 824,934

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
(PROPRIETARY FUND)

For the Year Ended June 30, 2022, With Comparative Totals for 2021

	2022	2021
OPERATING REVENUES		
Procurement	\$ 7,333,066	5,628,555
Cadre services	176,862	276,780
Related services	741,765	884,592
In-kind contributions	12,000	-
Other income	-	57
Discounts and rebates	34,870	23,915
Total operating revenues	8,298,563	6,813,899
OPERATING EXPENSES		
Cost of services		
Procurement	7,251,388	5,563,631
Cadre services	163,531	244,436
Related services	693,484	849,935
Total cost of services	8,108,403	6,658,002
Gross profit	190,160	155,897
ADMINISTRATION EXPENSES		
Salaries and wages	127,057	112,663
Computer and internet	15,403	7,834
Rent	12,000	2,400
Employee benefits	11,826	24,100
Payroll taxes	10,628	10,816
Legal/accounting services	10,300	10,000
Office expense	8,507	9,898
Insurance-property and liability	2,660	1,999
Bank fees	1,544	286
Postage and freight	621	463
Travel	-	4,860
Total expenses	200,546	185,319
Operating (loss)	(10,386)	(29,422)
Non-operating revenues		
Interest income	-	-
Total non-operating revenues	-	-
Change in net position	(10,386)	(29,422)
Net position, beginning of year	45,175	74,597
Net position, end of year	\$ 34,789	45,175

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, 2022, With Comparative Totals for 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members	\$ 8,365,519	6,452,474
Payments to employees	(441,410)	(566,291)
Payments to suppliers and contractors	(7,713,252)	(5,939,637)
Net cash provided (used) by operating activities	210,857	(53,454)
Net increase (decrease) in cash and cash equivalents	210,857	(53,454)
Cash and cash equivalents, beginning of year	19,946	73,400
Cash and cash equivalents, end of year	\$ 230,803	19,946
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating (loss)	\$ (10,386)	(29,422)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable- trade	66,956	(361,426)
(Increase) decrease in accounts receivable- other	-	6,767
(Increase) decrease prepaid expenses	116	(657)
Increase (decrease) in accounts payable	175,971	322,112
Increase (decrease) in accrued payroll and benefits	(21,800)	9,172
Net cash provided (used) by operating activities	\$ 210,857	(53,454)
 <u>Supplementary Information</u>		
Donated facilities	12,000	-

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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, 2022, 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 as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90 as well as other applicable GASB Statements, 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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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, 2022. In addition, ACES has no tax abatement agreements. GASB 77 disclosures are not required.

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.

Measurement Focus

The proprietary fund is accounted for on the accrual basis of accounting using the “economic resources” measurement focus. 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 operating revenues and expenses, and non-operating revenues and expenses as applicable, which represent 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. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds, which is an Enterprise Fund.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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.

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.

Reclassifications

Certain reclassifications may have been made to the 2021 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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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

Cash and Cash Equivalents

For purpose of the statement of cash flows, the ACES includes bank accounts as cash and cash equivalents. ACES maintains its cash balances with local financial institutions. The amounts on deposit with these institutions may at times exceed the \$250,000 of insurance available to individual depositors through the Federal Deposit Insurance Corporation (FDIC).

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, 2022. 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, 2022, With Comparative Totals for 2021

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 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:

- Contract Revenue—ACES has contracted with charter schools for services. These contract revenues are recorded at the time the services are provided or products have been delivered. Specifically, when ACES has provided the service in compliance with the

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

general and specific requirements of the contract, both the receivable and offsetting contract revenue are recorded.

G—Donated Property, Material and Services

Donations of property, materials and services are recorded as contributions at fair value at the date of donation. Donated services are recognized as contributions at their estimated fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ACES.

Nonfinancial Asset	2022	2021	Fair Value Technique
Donated facilities	\$ 12,000	-	1

* Legend at Fair Value Techniques

1. Estimated prices for identical or similar rental facilities if purchased in the region.

H—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, 2022 or 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, 2022 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

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
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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, 2022, 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	\$ 341,310	229,101
Bank of Albuquerque - Savings	1,702	1,702
Total amount of deposit in bank	\$ 343,012	
FDIC coverage	(250,000)	
Total uninsured public funds	\$ 93,012	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)	\$ 46,506	
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.		\$ 310,157
Pledging excess		\$ 263,651

NOTE 4—PROPERTY, EQUIPMENT, AND DEPRECIATION

As of the year ended June 30, 2022, 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).

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

NOTE 7—ACCRUED LIABILITIES

Accrued payroll at June 30, is as follows:

<u>Type</u>	<u>2022</u>	<u>2021</u>
Accrued payroll	\$ 5,830	23,381
Accrued bonus	2,134	2,984
Accrued payroll taxes	<u>10,609</u>	<u>14,008</u>
Total	<u>\$ 18,573</u>	<u>40,373</u>

NOTE 8—RELATED PARTY TRANSACTIONS

The Deputy Executive Director and the client manager of the vendor, Education Technologies Inc., are husband and wife. Education Technologies Inc. submitted an RFP to provide IT services. Education Technologies Inc. was awarded the contract and is available to the members for technology services.

During 2022, the amount paid to Education Technologies Inc. by ACES was \$364,855. There is a payable due to Education Technologies Inc. at June 30, 2022 in the amount of \$32,930.

During 2021, the amount paid to Education Technologies Inc., by ACES was \$0.

NOTE 9—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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

The following are participants as of June 30, 2022:

21st Century Public Academy	Mark Armijo Academy
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 Bilingual Academy	Mission Achievement and Success Charter School
Albuquerque Charter Academy (SIA Tech)	Monte del Sol Charter School
Albuquerque Collegiate Charter School	Montessori Elementary and Middle School (The)
Albuquerque Institute for Math and Science	Montessori of the Rio Grande
Albuquerque School of Excellence	Moreno Valley High School
Albuquerque Sign Language Academy	Mosaic Academy Charter
Albuquerque Talent Development Academy	Mountain Mahogany Community School
Aldo Leopold High School	New America School - Las Cruces
Alice King Community Schools	New Mexico International School
Alma d' arte Charter High School for the Arts	New Mexico School for the Arts
Altura Preparatory School	North Valley Academy
Amy Biehl Charter High School	Pecos Connections Academy
Anansi Charter School	Public Academy for Performing Arts
ASK Academy	Raices del Saber Charter School
Cesar Chavez Community School	Red River Valley Charter School
Christine Duncan's Heritage Academy	Rio Gallinas School for Ecology and the Arts
Cien Aguas International School	Rio Grande Academy of Fine Arts
Coral Community Charter School	Robert F Kennedy Charter School
Corrales International School	Roots and Wings Community School
Cottonwood Classical Preparatory School	San Diego Riverside Charter School
Cottonwood Valley Charter School	Sandoval Academy of Bilingual Education (SABE)
DEAP	School of Dreams
Deming Cesar Chavez Charter High School	Sidney Gutierrez Middle School
Digital Arts and Technology Academy	Siembra Leadership Academy
Dream Dine'	Six Directions Indigenous School
East Mountain High School	Solare Collegiate Charter School
El Camino Real	South Valley Academy
Estancia Valley Classical Academy	South Valley Preparatory School
Explore Academy – Albuquerque	Southwest Aeronautics, Mathematics, and Science Academy
Explore Academy – Las Cruces	Southwest Preparatory Learning Center
Gilbert L. Sena Charter High School	Southwest Secondary Learning Center
Gordon Bernell Charter School	Taos Academy
GREAT Academy (The)	Taos Integrated School of the Arts
Health Leadership High School	Taos International School
Horizon Academy West	Tech Leadership High School
Hozho Academy	The MASTERS Program
International School at Mesa del Sol	Thrive Community School
J. Paul Taylor Academy	Tierra Adentro
Jefferson Montessori Academy	Tierra Encantada Charter School
La Academia Delores Huerta	Turquoise Trail Charter School
La Academia de Esperanza	Vista Grande High School
La Tierra Montessori School of the Arts and Sciences	VOZ Collegiate Preparatory Charter School
Las Montanas Charter High School	William W Dorn Charter Community School
Los Puentes Charter School	

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

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 \$8,298,563.

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 10—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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022, With Comparative Totals for 2021

NOTE 11—COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of net position 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 statement of net position, 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 statement of net position but arose after the statement of net position date and before financial statements are available to be issued. Subsequent to June 30, 2022, as a result of COVID-19 coronavirus, economic uncertainties may arise, which may negatively impact 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, 2022, and the related notes to the financial statements, which collectively comprise ACES’ basic financial statements, and have issued our report thereon dated September 21, 2022.

Report on 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.

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 21, 2022

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 21, 2022

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2022

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
a. Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
b. Significant deficiencies identified that are not considered material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
c. Noncompliance material to the financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SUMMARY OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

Reference #	Finding	Status of Prior Year Findings	Type of Finding
Prior Year Findings			

None

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, 2022

An exit conference was held in a closed session on September 21, 2022, by video conference. In attendance were the following:

Association of Charter School Education Services

Eric Ahner	ACES President
Mark Tolley	Treasurer
Christy Takacs	Executive Director
Katherine Moore	Director of Finance
Nancy Bangs	Accounts Payable

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, 2022, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.