



**ASSOCIATION OF CHARTER SCHOOL
EDUCATION SERVICES**

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

**For the Year Ended June 30, 2023
With Comparative Totals for 2022**

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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, 2023

| Executive Committee | | |
|----------------------------|-------------------|---|
| Name | Title | Representing |
| Bridget Barrett | President | SAMS Academy |
| Kimberly Ritterhouse, | Vice President | Red River Valley Charter School |
| Jon Orris | Secretary | Roots and Wings Community School |
| Mark Tolley | Treasurer | Corrales International School |
| Jesus Moncada | Member at Large | Christine Duncan Heritage Academy |
| Noel Nunez | Member at Large | Deming Cesar Chavez Charter High School |
| Stephanie Becker | Member at Large | Amy Biehl High School |
| Eric Ahner | Member at Large | J. Paul Taylor Academy |
| Matt Pahl | Ex Officio Member | Public Charter Schools of NM |

| Administrative Officials | |
|---------------------------------|---------------------|
| Name | Title |
| Christy Takacs | Executive Director |
| Katherine Moore | Director of Finance |
| Tammy West | Procurement Manager |

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Directors and Management of
Association of Charter School Education Services
and Mr. Joseph M. Maestas, P.E., 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, 2023, 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, 2023, 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.

Emphasis of Matter—Adoption of New Accounting Guidance

As discussed in Note 2(C) to the financial statements, the ACES has adopted the new accounting guidance GASB 96, Subscription-Based Information Technology Arrangements, and GASB 94, *Public- Private and Public-Public Partnerships and Availability Payment Arrangements* which are required for adoption for all fiscal years beginning subsequent to June 15, 2022.

However, it had no material impact as discussed in Note 2 as there were no SBITAs or PPPs affected by GASB 96 for the year ended June 30, 2023. Our opinion is not modified with respect to these matters.

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' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ACES' 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' 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' 2022 financial statements. We have previously audited ACES' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the

year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which is has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023 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.

A handwritten signature in black ink that reads "Hinkle + Landers, P.C." in a cursive, script font.

Hinkle + Landers, P.C.
Albuquerque, NM
September 18, 2023

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of June 30, 2023, With Comparative Totals for 2022

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, 2023. 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 11.

Financial Highlights

Key events for the fiscal year 2023 are:

The assets of ACES exceeded liabilities at the close of the most recent fiscal year by \$135,112 (total net position). Total net position is unrestricted.

ACES' total reported net position increased by \$100,323 compared to the prior year decrease in net position of \$10,386.

As of June 30, 2023, ACES had total assets of \$1,407,007 all of which are classified as current. Current liabilities include \$1,231,619 in accounts payable and \$40,274 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 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
As of June 30, 2023, With Comparative Totals for 2022

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 \$135,112 is reported as of the year ended, June 30, 2023, compared to \$34,789 reported as of June 30, 2022. The entire balance of net position is unrestricted for both years respectively.

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

The net position of the ACES' business-type activities increased by \$100,323 or -288.38% during the year, from \$34,789 at June 30, 2022 to \$135,112 at June 30, 2023, indicating a significant improvement 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
As of June 30, 2023, With Comparative Totals for 2022

| | 2023 | 2022 | Variance |
|-------------------------------------|---------------------|----------------|------------------|
| Assets: | | | |
| Cash | \$ 186,839 | 230,803 | (43,964) |
| Accounts receivable-trade | 1,218,896 | 736,644 | 482,252 |
| Prepaid expense | 1,270 | 1,272 | (2) |
| Total assets | <u>\$ 1,407,005</u> | <u>968,719</u> | <u>438,286</u> |
| Liabilities: | | | |
| Current liabilities | | | |
| Accounts payable-trade | \$ 1,231,619 | 915,357 | (316,262) |
| Accrued payroll and benefits | 40,274 | 18,573 | (21,701) |
| Total liabilities: | <u>1,271,893</u> | <u>933,930</u> | <u>(337,963)</u> |
| Net Position: | | | |
| Unrestricted | <u>135,112</u> | <u>34,789</u> | <u>100,323</u> |
| Total net position | <u>135,112</u> | <u>34,789</u> | <u>100,323</u> |
| Total liabilities, and net position | <u>\$ 1,407,005</u> | <u>968,719</u> | <u>438,286</u> |

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of June 30, 2023, With Comparative Totals for 2022

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

| | 2023 | 2022 | Variance |
|---------------------------------------|-------------------|------------------|------------------|
| Operating Revenues | | | |
| Procurement | \$ 9,146,016 | 7,333,066 | 1,812,950 |
| Cadre services | 240,288 | 176,862 | 63,426 |
| Related services | 1,063,993 | 741,765 | 322,228 |
| Administration | 12,000 | 12,000 | - |
| Discounts and rebates | 62,320 | 34,870 | 27,450 |
| Total revenues | <u>10,524,617</u> | <u>8,298,563</u> | <u>2,198,604</u> |
| Operating Expenses | | | |
| Cost of services | | | |
| Procurement | 8,977,641 | 7,251,388 | 1,726,253 |
| Cadre services | 206,790 | 163,531 | 43,259 |
| Related services | 1,032,999 | 693,484 | 339,515 |
| Total cost of services | <u>10,217,430</u> | <u>8,108,403</u> | <u>2,109,027</u> |
| Gross Profit | 307,187 | 190,160 | 117,027 |
| Administration expenses | | | |
| Salaries and wages | 138,473 | 127,057 | 11,416 |
| Employee benefits | 11,826 | 11,826 | - |
| Payroll taxes | 10,144 | 10,628 | (484) |
| Legal/accounting services | 10,680 | 10,300 | 380 |
| Office expense | 3,743 | 8,508 | (4,765) |
| Computer and internet | 14,499 | 15,403 | (904) |
| Insurance-property and liability | 2,585 | 2,660 | (75) |
| Postage and freight | 661 | 620 | 41 |
| Rent | 12,000 | 12,000 | - |
| Bank fees | 2,253 | 1,544 | 709 |
| Total expenses | <u>206,864</u> | <u>200,546</u> | <u>6,318</u> |
| Operating Income/(loss) | 100,323 | (10,386) | 110,709 |
| Total net position, beginning of year | <u>34,789</u> | <u>45,175</u> | <u>(10,386)</u> |
| Total net position-end of year | <u>\$ 135,112</u> | <u>34,789</u> | <u>100,323</u> |

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of June 30, 2023, With Comparative Totals for 2022

Total business-type activities generated operating revenues of \$10,524,618 while cost of services totaled \$10,217,429 for the year ended June 30, 2023, resulting in a gross profit of \$100,324. Administrative expenses totaled \$206,864 and non-operating revenues were \$0 for the year ended June 30, 2023. All of these factors resulted in an increase in net position of \$100,323. Comparatively, operating revenues were \$10,524,617 and cost of services totaled \$10,217,430 resulting in gross profit of \$307,187 for the year ended June 30, 2022. Administrative expenses were \$206,864 and non-operating revenues totaled \$0 resulting in a increase in net position of \$100,323 for the year ended June 30, 2022.

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

Increase of the procurement rate fee from 1% to 1.5%.

The increase in net position can be attributed to the expansion of our vendor base and the inclusion of new schools, as well as a general increase in the services we offer.

Fiscal Year 2023 Budgetary Highlights

At the beginning of fiscal year 2023, 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, 2023.

The original budget projected total revenues of \$8,855,000. Original budgeted expenses were projected to be \$8,828,303 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, 2023.

| | Final Budget | Actual | Favorable (Unfavorable) |
|-------------------------------------|---------------|------------|----------------------------|
| Revenues | \$ 11,598,500 | 10,524,617 | (1,073,883) |
| Cost of services | 11,255,280 | 10,217,430 | 1,037,850 |
| Administrative expenses | 252,990 | 206,864 | 46,126 |
| Non-operating income | - | - | - |
| Increase (decrease) in net position | \$ 90,230 | 100,323 | 10,093 |

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of June 30, 2023, With Comparative Totals for 2022

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, 2023.

Financial Outlook for Next Year

ACES approved budget for fiscal year 2024 anticipates \$11,598,500 in total revenues. Cost of services are projected to be \$11,255,280 and total expenses are expected to be \$11,508,270. Due to management efforts to increase services and improve profit margins, gross profit is expected to total of \$343,220, an approximate 12% increase over fiscal year 2023.

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)
As of June 30, 2023, With Comparative Totals for 2022

| ASSETS | <u>2023</u> | <u>2022</u> |
|---|--------------------------------|---------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 186,839 | 230,803 |
| Accounts receivable-trade | 1,218,896 | 736,644 |
| Prepaid expenses | <u>1,270</u> | <u>1,272</u> |
| Total current assets | <u>1,407,005</u> | <u>968,719</u> |
| Total assets | <u><u>\$ 1,407,005</u></u> | <u><u>968,719</u></u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable-trade | \$ 1,231,619 | 915,357 |
| Accrued payroll and benefits | <u>40,274</u> | <u>18,573</u> |
| Total current liabilities | <u>1,271,893</u> | <u>933,930</u> |
| Total liabilities | 1,271,893 | 933,930 |
| NET POSITION | | |
| Unrestricted | <u>135,112</u> | <u>34,789</u> |
| Total net position | <u>135,112</u> | <u>34,789</u> |
| Total liabilities, and net position | <u><u>\$ 1,407,005</u></u> | <u><u>968,719</u></u> |

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

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

For the Year Ended June 30, 2023, With Comparative Totals for 2022

| | 2023 | 2022 |
|----------------------------------|--------------|-----------|
| OPERATING REVENUES | | |
| Procurement | \$ 9,146,016 | 7,333,066 |
| Related services | 1,063,993 | 741,765 |
| Cadre services | 240,288 | 176,862 |
| Discounts and rebates | 62,320 | 34,870 |
| In-kind contributions | 12,000 | 12,000 |
| Total operating revenues | 10,524,617 | 8,298,563 |
| OPERATING EXPENSES | | |
| Cost of services | | |
| Procurement | 8,977,641 | 7,251,388 |
| Related services | 1,032,999 | 693,484 |
| Cadre services | 206,790 | 163,531 |
| Total cost of services | 10,217,430 | 8,108,403 |
| Gross profit | 307,187 | 190,160 |
| ADMINISTRATION EXPENSES | | |
| Salaries and wages | 138,473 | 127,057 |
| Computer and internet | 14,499 | 15,403 |
| Rent-in kind | 12,000 | 12,000 |
| Employee benefits | 11,826 | 11,826 |
| Legal/accounting services | 10,680 | 10,300 |
| Payroll taxes | 10,144 | 10,628 |
| Office expense | 3,743 | 8,508 |
| Insurance-property and liability | 2,585 | 2,660 |
| Bank fees | 2,253 | 1,544 |
| Postage and freight | 661 | 620 |
| Total expenses | 206,864 | 200,546 |
| Operating income (loss) | 100,323 | (10,386) |
| Non-operating revenues | | |
| Interest income | - | - |
| Total non-operating revenues | - | - |
| Change in net position | 100,323 | (10,386) |
| Net position, beginning of year | 34,789 | 45,175 |
| Net position, end of year | \$ 135,112 | 34,789 |

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, 2023, With Comparative Totals for 2022

| | 2023 | 2022 |
|--|---------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from members | \$ 10,042,365 | 8,365,519 |
| Payments to employees | (397,909) | (441,410) |
| Payments to suppliers and contractors | (9,688,420) | (7,713,252) |
| Net cash (used) provided by operating activities | (43,964) | 210,857 |
| Net increase (decrease) in cash and cash equivalents | (43,964) | 210,857 |
| Cash and cash equivalents, beginning of year | 230,803 | 19,946 |
| Cash and cash equivalents, end of year | \$ 186,839 | 230,803 |
| Reconciliation of operating income to net cash provided/(used) by operating activities: | | |
| Operating income (loss) | \$ 100,323 | (10,386) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable-trade | (482,252) | 66,956 |
| (Increase) decrease in accounts receivable-other | - | - |
| (Increase) decrease prepaid expenses | 2 | 116 |
| Increase (decrease) in accounts payable | 316,262 | 175,971 |
| Increase (decrease) in accrued payroll and benefits | 21,701 | (21,800) |
| Net cash (used) provided by operating activities | \$ (43,964) | 210,857 |
| <u>Supplementary Information</u> | | |
| Donated facilities | 12,000 | 12,000 |

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023, With Comparative Totals for 2022

NOTE 1—NATURE OF BUSINESS AND REPORTING ENTITY

Nature of Operations—Purpose

Organization/Joint Powers 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, 2023, 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 Powers 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 39, 61, 80, and 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, 2023, With Comparative Totals for 2022

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, 2023. 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, 2023, With Comparative Totals for 2022

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 2022 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. Estimates that are particularly susceptible to significant changes in the near term that could have a material effect on the financial statements include the estimated valuation of in-kind facilities. Accordingly, actual results could differ from those estimates.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023, With Comparative Totals for 2022

C—Recently Issued and Adopted Accounting Standards

In March 2020, the GASB issued Statement 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB 94 is effective for the ACES' financial statements for the year ended June 30, 2023. There was no material impact to the ACES' financial statements for the year ended June 30, 2023 as a result of adopting GASB 94.

In May 2020, the GASB issued Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangements* (SBITAs), which is effective for the year ended June 30, 2023. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes that an SBITA results in a right to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. ACES adopted GASB 96 for the year ended June 30, 2023. There was no material impact to ACES' financial statements as a result of adopting GASB 96.

D—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, 2023. ACES uses the direct write-off method when necessary. Historically, these amounts have not been material to the financial statements as a whole.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023, With Comparative Totals for 2022

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 and an estimated useful life in excess of one year. Items with a cost of less than \$5,000 and an estimated useful life less than one year 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.

Net Position Classification

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflow of resources. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by other governments, creditors or grantors.

E—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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023, With Comparative Totals for 2022

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.

F— Encumbrances

ACES does not use encumbrance accounting.

G—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.

ACES accounts for its revenue under GASB 33. 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 general and specific requirements of the contract, both the receivable and offsetting contract revenue are recorded.

H—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.

| <u>Nonfinancial Asset</u> | <u>2022</u> | <u>2021</u> | <u>Fair Value Technique</u> |
|---------------------------|-------------|-------------|---------------------------------|
| Donated facilities | \$ 12,000 | 12,000 | 1 |

* Legend at Fair Value Techniques

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

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023, With Comparative Totals for 2022

I—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, 2023 or June 30, 2022.

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, 2023 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, 2023, 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, 2023, With Comparative Totals for 2022

ACES' bank accounts were collateralized as follows:

| Location | Balance Per Depository | Book Balance |
|--|---------------------------|-----------------|
| Bank of Albuquerque - Checking | \$ 372,250 | 185,136 |
| Bank of Albuquerque - Savings * | 1,703 | 1,703 |
| Total amount of deposit in bank | \$ 373,953 | |
| FDIC coverage | (250,000) | |
| Total uninsured public funds | \$ 123,953 | |
| 50% Collateral Requirement (Section 6-10-17 NMSA 1978) | \$ 61,977 | |
| 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. | | \$ 683,370 |
| Pledging excess | | \$ 621,394 |

* Interest bearing account

NOTE 4—ACCOUNTS RECEIVABLE - TRADE

Accounts receivable trade, primarily consist of amounts due from schools for products delivered and services performed during the fiscal year ended June 30, 2023 and 2022, respectively. These receivables arise from the Company's ordinary course of business activities, which involve providing products and services to schools. Receivables are recognized in accordance with the ACES's revenue recognition policy, which recognizes revenue when control of the products or services has transferred to the customer.

NOTE 5—PROPERTY, EQUIPMENT AND DEPRECIATION

As of the year ended June 30, 2023, ACES had no property and equipment to capitalize and depreciate.

NOTE 6—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.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023, With Comparative Totals for 2022

NOTE 7—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 8—ACCOUNTS PAYABLE - TRADE

Accounts payable represent amounts owed by ACES to its suppliers and vendors for goods and services received during the fiscal year ended June 30, 2023 and 2022, respectively. These payables arise from the ACES' ordinary course of business operations, including procurement, supplies, and various services required to support its activities.

NOTE 9—ACCRUED LIABILITIES

Accrued payroll at June 30, is as follows:

| Type | 2023 | 2022 |
|-----------------------|------------------|---------------|
| Accrued payroll | \$ 6,428 | 5,830 |
| Accrued bonus | 20,000 | 2,134 |
| Accrued payroll taxes | 13,846 | 10,609 |
| Total | <u>\$ 40,274</u> | <u>18,573</u> |

NOTE 10—RELATED PARTY TRANSACTIONS

During 2022, the Director of Finance 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.

There were no related party transactions during the year 2023.

NOTE 11—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, 2023, With Comparative Totals for 2022

The following are participants as of June 30, 2023:

| | |
|---|---|
| 21st Century Public Academy | Mark Armijo Academy |
| Academy for Technology and the Classics | MASTERS Program (The) |
| ACE Leadership High School | McCurdy Charter School |
| ACES Technical Charter School | NM Academy of the Media Arts |
| Albuquerque Bilingual Academy | Middle College High School |
| Albuquerque Charter Academy (SIA Tech) | Mission Achievement and Success Charter School |
| Albuquerque Collegiate Charter | Monte del Sol Charter School |
| Albuquerque Institute for Math and Science (AIMS) | Montessori Elementary and Middle School (The) |
| Albuquerque School of Excellence | Montessori of the Rio Grande Charter |
| Albuquerque Sign Language Academy (The) | Moreno Valley High School |
| Albuquerque Talent Development Academy | Mosaic Academy Charter |
| Aldo Leopold High School | Mountain Mahogany Community School |
| Alice King Community School (The) | New America School of Las Cruces |
| Alma d' arte Charter High School | New Mexico Connections Academy |
| Altura Prep | New Mexico International School |
| Amy Biehl Charter High School | New Mexico School for the Arts |
| Anansi Charter School | North Valley Academy Charter School |
| ASK Academy (The) | Pecos Cyber Academy |
| Cesar Chavez Community School | Public Academy for Performing Arts |
| Christine Duncan's Heritage Academy | Raices del Saber Xinachtli Community School |
| Cien Aguas International School | Red River Valley Charter School |
| Coral Community Charter School | Rio Gallinas School of Ecology and the Arts |
| Corrales International School | Rio Grand Academy of Fine Arts |
| Cottonwood Classical Preparatory School | Robert F. Kennedy Charter School |
| Cottonwood Valley Charter School | Roots and Wings Community School |
| Digital Arts and Technology Academy | Sandoval Academy of Bilingual Education |
| Dream Dine Charter School | School of Dreams Academy |
| Dzil Dítl' ooi School of Empowerment, Action & Perseverance | Sidney Gutierrez Middle School |
| East Mountain High School | Siembra Leadership High School |
| El Camino Real Academy | Six Directions Indigenous 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 | Thrive Community School |
| Jefferson Montessori Academy | Tierra Adentro |
| La Academia de Esperanza | Tierra Encantada Charter School |
| La Academia Dolores Huerta | Turquoise Trail Charter School |
| La Tierra Montessori School of the Arts and Sciences | Vista Grande Charter High School |
| Las Montañas Charter High School | VOZ Collegiate Preparatory Charter School |
| Los Puentes 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, 2023, With Comparative Totals for 2022

Party Responsible for Operations

New Mexico Charter School Educational Service Association.

Description

JPA establishes 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 \$10,524,617.

Amount the Agency Contributed in Current Fiscal Year

None.

Audit Responsibility

New Mexico Charter School Educational Service Association.

Revenues and Expenditures

Reported to the Office of the 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.

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.

**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. Joseph M. Maestas, 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, 2023, and the related notes to the financial statements, which collectively comprise ACES' basic financial statements, and have issued our report thereon dated September 18, 2023.

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 18, 2023

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 18, 2023

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2023

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, 2023

| Reference # | Finding | Status of Prior Year Findings | Type of Finding |
|----------------------------|----------------|--|----------------------------|
| Prior Year Findings | | | |
| <i>None</i> | | | |

| | | | |
|------------------------------|--|--|--|
| Current Year Findings | | | |
| <i>None</i> | | | |

* 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, 2023

An exit conference was held in a closed session on September 18, 2023, by video conference. In attendance were the following:

Association of Charter School Education Services

| | |
|-----------------|---------------------|
| Bridget Barrett | ACES President |
| Christy Takacs | Executive Director |
| Katherine Moore | Director of Finance |

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, 2023, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.