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Certified Public Accountants + Business Consultants

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2019, With Comparative Totals for 2018

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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, 2019

Executive Committee

Name	Title	Representing
Jesus Moncada	President	Christine Duncan Heritage Academy
Coreen Carrillo	Vice President	SAMS
Kelly Callahan	Secretary	NM Coalition of Charter Schools
Sam Obenshain	Treasurer	Cottonwood Classical Preparatory School
Matt Pahl	NMCCS Representative	NM Coalition of Charter Schools
Tonya Newton	Member at Large	Alice King Community School
Mark Tolley	Member at Large	Corrales International School
Monica Aguilar	Member at Large	Nuestros Valeros Charter High School
Ray Griffin	Member at Large	Turquoise Trail Community Charter
Susan McConnell	Member at Large	North Valley Academy Charter School
David Craig	PED Representative	PED

Administrative Officials

Name	Title
Max Luft	Interim Executive Director

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Association of Charter School Education Services (ACES), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise ACES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of ACES, as of June 30, 2019, and the respective changes in financial position and cash flows thereof, for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the ACES' financial statements and the Schedule of Changes in Assets and Liabilities—Fiduciary Funds (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of changes in assets and liabilities—Fiduciary Funds listed as "Supplementary Information" in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information was fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information
The prior year summarized comparative information has been derived from ACE's financial statements for the year ended June 30, 2018 dated September 25, 2018. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for prior year comparative date, is based solely on the report of the other auditors. Those auditors expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019 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.

Hinkle + Landers, P.C.
Albuquerque, NM
September 18, 2019

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

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, 2019. Since the information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with ACES' basic financial statements beginning on page 8.

Financial Highlights

Key events for the fiscal year 2019 are:

- The assets of ACES exceeded liabilities at the close of the most recent fiscal year by $66,675 (total net position). Total net position is unrestricted.

- ACES' total reported net position increased by $24,446 compared to the prior year decrease in net position of $15,285.

- As of June 30, 2019, ACES had total assets of $517,413, all of which are classified as current. Current liabilities include $422,742 in accounts payable and $27,734 in accrued payroll liabilities. ACES did not have any noncurrent liabilities as of year-end.

Overview of the Financial Statements

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

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

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

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

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how ACES' net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and accounts payable).

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

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

Government-Wide Financial Analysis—Broad Overview of Finance

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of ACES, a positive net position balance (total assets exceeding total liabilities) of $66,675 is reported as of the year ended, June 30, 2019, compared to $42,229 reported as of June 30, 2018. The entire balance of net position is unrestricted for both years respectively.

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

Overview of the Statement of Net Position

	2019	2018	Variance
Assets:			
Cash	$ 94,387	325,472	(231,085)
Accounts receivable - trade	421,378	-	421,378
Prepaid expense	1,388	-	1,388
Total assets	$ 517,153	325,472	191,681
Liabilities:			
Current liabilities			
Accounts payable - trade	$ 422,744	249,868	(172,876)
Accrued payroll and benefits	27,734	33,375	5,641
Noncurrent liabilities	-	-	-
Total liabilities:	450,478	283,243	(167,235)
Net Position:			
Unrestricted	66,675	42,229	24,446
Total net position	66,675	42,229	24,446
Total liabilities, and net position	$ 517,153	325,472	191,681

The net position of the ACES' business-type activities increased $24,446 or 58% during the year, from $42,229 at June 30, 2018 to $66,675 at June 30, 2019, indicating an improvement in the financial condition of ACES. ACES' total is 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, 2019, With Comparative Totals for 2018

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

Overview of the Statement of Revenues, Expenses, and Changes In Net Position

	2019	2018	Variance
Operating Revenues			
Procurement	$ 3,985,742	3,211,147	774,595
Cadre services	230,532	244,293	(13,761)
Related services	1,050,660	729,016	321,644
Administration	9,496	46	9,450
Total revenues	5,276,430	4,184,502	1,091,928
Operating Expenses			
Cost of services			
Procurement	3,939,591	3,176,979	762,612
Cadre services	214,346	230,527	(16,181)
Related services	999,627	693,597	306,030
Uncollectable A/R write-off	-	17,582	
Total cost of services	5,153,564	4,118,685	1,034,879
Gross Profit	122,866	65,817	57,049
Administration expenses			
Salaries and wages	65,872	44,185	21,687
Employee benefits	85	14,441	(14,356)
Payroll taxes	6,402	4,712	1,690
Legal/accounting services	9,869	9,101	768
Travel	5,215	357	4,858
Office expense	4,484	1,387	3,097
Computer and internet	4,097	5,224	(1,127)
Insurance-property and liability	2,028	1,334	694
Postage and freight	380	361	19
Total expenses	98,432	81,102	17,330
Operating Income/(loss)	24,434	(15,285)	39,719
Non-operating revenues			
Interest income	12	6	6
Total non-operating revenues	12	6	6
Change in net position	24,446	(15,279)	39,725
Total net position, beginning of year	42,229	57,508	(15,279)
Total net position - end of year	$ 66,675	42,229	24,446

Total business-type activities generated operating revenues of $5,276,430 while cost of services totaled $5,153,364 for the year ended June 30, 2019, resulting in a gross profit of $123,066. Administrative expenses totaled $98,631 and non-operating revenues were $12 for the year ended June 30, 2019. All of these factors resulted in an increase in net position of $24,446. Comparatively, operating revenues were $4,184,502 and cost of services totaled $4,118,685 resulting in gross profit of $65,817 for the year ended June 30, 2018. Administrative expenses were $81,102 and non-operating revenues totaled $6 resulting in a decrease in net position of $15,279.

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

- Increased procurement services revenues primarily due to an increased need for business office solutions and food services by participating members; and,
- Increased related services revenues due to an increased need for maintenance and substitute teacher services.

Fiscal Year 2019 Budgetary Highlights

At the beginning of fiscal year 2019, an initial budget was presented to ACES Executive Committee of the Board for their review and approval. During the year there were four budget adjustments approved by the Committee.

The original budget projected total revenues of $5,000,000. To reflect increases in projected revenues, the budget was increased during the year to a final budget of $5,288,575. Original budgeted expenses were projected to be $4,941,971 and was adjusted during the year to a final budget of $4,818,436.

The following is a summary of the final budget as compared to actual activity for the period ending June 30, 2019.

	Final Budget	Actual	Favorable (Unfavorable)
Revenues	$ 5,288,400	5,276,430	(11,970)
Cost of services	5,117,659	5,153,564	(35,905)
Administrative expenses	154,732	98,432	56,300
Non-operating income	175	12	(163)
Increase in net position	**$ 16,184**	**24,446**	**8,262**

Capital Improvements and Asset Management

ACES requires plant, 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, 2019.

Financial Outlook for Next Year

ACES approved budget for fiscal year 2020 anticipates $6,000,000 in total revenues. Cost of services are projected to be $5,808,050 and total expenses are expected to be $5,978,250. Due to an anticipated higher volume of transactions, gross profit is expected to total $191,950 an approximate 12.4% increase over fiscal year 2019.

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 Matt Pahl, Executive Director (matt.p@nmaces.org, (505) 409-5699), or Dr. Max Luft, Deputy Director and Chief Financial Officer (max.l@nmaces.org, (505)-269-2109). The address is P.O. Box 3146, Albuquerque, NM 87190.

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF NET POSITION
For the Year Ended June 30, 2019, With Comparative Totals for 2018

ASSETS		**2019**	**2018**
Current assets			
Cash and cash equivalents	$	94,387	99,995
Accounts receivable - trade		421,378	224,089
Prepaid expenses		1,388	1,388
Total current assets		517,153	325,472
Total assets	$	517,153	325,472
LIABILITIES			
Current liabilities			
Accounts payable - trade	$	422,744	249,868
Accrued payroll and benefits		27,734	33,375
Total current liabilities		450,478	283,243
Total liabilities		450,478	283,243
NET POSITION			
Unrestricted		66,675	42,229
Total net position		66,675	42,229
Total liabilities, and net position	$	517,153	325,472

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

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2019, With Comparative Totals for 2018

	2019	2018
OPERATING REVENUES		
Procurement	$ 3,985,742	3,211,147
Cadre services	230,532	244,293
Related services	1,050,660	729,016
Administration	9,496	46
Total operating revenues	5,276,430	4,184,502
OPERATING EXPENSES		
Cost of services		
Procurement	3,939,591	3,176,979
Cadre services	214,346	230,527
Related services	999,627	693,597
Uncollectable A/R write-off	-	17,582
Total cost of services	5,153,564	4,118,685
Gross profit	122,866	65,817
ADMINISTRATION EXPENSES		
Salaries and wages	65,872	44,185
Employee benefits	85	14,441
Payroll taxes	6,402	4,712
Legal/accounting services	9,869	9,101
Travel	5,215	357
Office expense	4,484	1,387
Computer and internet	4,097	5,224
Insurance-property and liability	2,028	1,334
Postage and freight	380	361
Total expenses	98,432	81,102
Operating income/(loss)	24,434	(15,285)
Non-operating revenues		
Interest income	12	6
Total non-operating revenues	12	6
Change in net position	24,446	(15,279)
Net position, beginning of year	42,229	57,508
Net position, end of year	$ 66,675	42,229

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, 2019, With Comparative Totals for 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members	$ 5,079,141	4,047,442
Payments to employees	(587,871)	(427,604)
Payments to suppliers and contractors	(4,496,890)	(3,587,846)
Net cash provided by operating activities	(5,620)	31,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	12	6
Net cash provided by investing activities	12	6
Net increase (decrease) in cash and cash equivalents	(5,608)	31,998
Cash and cash equivalents, beginning of year	99,995	67,997
Cash and cash equivalents, end of year	$ 94,387	99,995
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating income (loss)	$ 24,434	(15,285)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable- trade	(197,289)	(122,157)
(Increase) decrease in accounts receivable- other	-	503
(Increase) decrease prepaid expenses	-	108
Increase (decrease) in accounts payable	172,876	141,813
Increase (decrease) in accrued payroll and benefits	(5,641)	27,010
Net cash provided (used) by operating activities	$ (5,620)	31,992

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

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
For the Year Ended June 30, 2019, With Comparative Totals for 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ -	105,395
Total assets	$ -	105,395
LIABILITIES		
Due to others	$ -	105,395
Total liabilities	$ -	105,395

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

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 and 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, 2019, there were 81 charter school members. ACES provides a wide range of educational services including state-wide cooperative purchasing, services such as business management, student management, technology assistance, teacher and administration training and other professional service, and general consulting.

Membership

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

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

Financial Reporting Entity

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

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

ACES does not have any component units during the year ended June 30, 2019.

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 and fiduciary (agency) fund. As a result, the financial statements are comprised of proprietary and fiduciary fund financial statements. Proprietary statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

Enterprise Fund

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

Measurement Focus

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

Operating and Non-Operating Items

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of ACES are procurement, Cadre services, administrative services and other related services 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.

B—Use of Estimates

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

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

Cash and Cash Equivalents

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

Accounts Receivable

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, 2019. ACES uses the direct write-off method when necessary. Historically these amounts have not been material to the financial statements as a whole.

Property and Equipment

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

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

Income Taxes

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They include all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Non-operating revenues include ad valorem taxes (property), miscellaneous income and interest income.

Net Position Classification

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

D—Budgets and Budgetary Accounting

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

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

NOTE 8—JOINT POWERS AGREEMENT

A Joint Powers Agreement to establish New Mexico Charter School Educational Service Association was approved by Department of Finance and Administration on July 3, 2014. The following are participants as of June 30, 2019:

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

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 $5,276,442

Amount the Agency Contributed in Current Fiscal Year
None

Audit Responsibility
Required annual audit by October 1st

Revenues and Expenditures
Reported to Office of State Auditor

NOTE 9—RELATED PARTY TRANSACTIONS

Deputy Executive Director and the owner of vendor, LDD Consulting, Inc. are father and son. LDD Consulting, Inc. submitted an RFP to provide education technology services. LDD Consulting, Inc. was awarded the contract and is available to the members for technology services. During 2019, the amount paid to LDD Consulting, Inc. by ACES was $400,086. There is a payable due to LDD Consulting, Inc. at June 30, 2019 in the amount of $74,327.

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 balance sheet date but before the financial statements are issued. ACES recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. ACES' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
Schedule of Changes in Assets and Liabilities- Fiduciary Funds
For the Year Ended June 30, 2019, With Comparative Totals for 2018

	Balance 6/30/2018	Receipts	Disbursements	Balance 6/30/2019
ASSETS				
Cash	$ 105,395	27	105,422	-
Total Assets	$ 105,395	27	105,422	-
LIABILITES				
Due to others	$ 105,395	27	105,422	-
Total Liabilities	$ 105,395	27	105,422	-

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, 2019, and the related notes to the financial statements, which collectively comprise ACES' basic financial statements, and have issued our report thereon dated September 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered ACES' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACES' internal control. Accordingly, we do not express an opinion on the effectiveness of ACES' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, P.C.

Hinkle + Landers, PC
Albuquerque, NM
September 18, 2019

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	**Unmodified**	
Internal control over financial reporting		
a. Material weakness(es) identified?	☐Yes	☒No
b. Significant deficiencies identified that are not considered material weakness(es)?	☐Yes	☒No
c. Noncompliance material to the financial statements noted?	☐Yes	☒No

STATE OF NEW MEXICO
ASSOCIATION OF CHARTER SCHOOL EDUCATION SERVICES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019

SUMMARY OF FINDINGS AND RESPONSES

Reference #	Finding	Status of Prior Year Findings	Type of Finding
Prior Year Findings			
2018-001	Collateralization Requirement	Resolved	C
Current Year Findings			
None		N/A	

* 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, 2019

An exit conference was held in a closed session on September 18, 2019, at the Albuquerque Charter Academy in Albuquerque, NM. In attendance were the following:

Association of Charter School Education Services

Jesus Moncada	Executive Committee President
Matt Pohl	Executive Director
Max Luft	Deputy Executive Director

Hinkle + Landers, PC

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Jeremiah Armijo, CPA	Senior Audit Manager

FINANCIAL STATEMENTS

The financial statements of ACES as of June 30, 2019, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.