

ALBUQUERQUE PUBLIC SCHOOLS
FOUNDATION (A COMPONENT UNIT
OF ALBUQUERQUE PUBLIC SCHOOLS)
Albuquerque, New Mexico

FINANCIAL STATEMENTS
June 30, 2013

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ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of Albuquerque Public Schools)
BOARD OF DIRECTORS
June 30, 2013

Cristy Carbon-Gaul	President
Elizabeth Shipley	Past President
Robert Schapira	Vice-President
Leslie Hoffman	Secretary
J.J. Griego	Treasurer
Jon Barela	Emeritus
Dale Dekker	Emeritus
Robin Brule	Director
Jeff Cain	Director
Adrian Chavez	Director
Ron Darnell	Director
Tony Dees	Director
Frank Frost	Director
Veronica Garcia	Director
Ann Lerner	Director
Jeff Lunsford	Director
Natasha Martel	Director
Rick Miera	Director
Traci Olivas	Director
Amy Tapia	Director
Tammy Grady-Thorton	Director
Eilene Vaughn-Pickrell	Director
Craig Yoshimoto	Director
Roberta Zamora	Director
Hayne Arismendi	Student Member

EX-OFFICIO

Winston Brooks
Paula Maes
Monica Armenta
Ellen Bernstein

STAFF

Phill Casaus
Cathy Cavin
Lauren Joule



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Independent Auditors' Report

The Board of Directors
Albuquerque Public Schools Foundation
and
Hector H. Balderas
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of Albuquerque Public Schools Foundation (the Foundation), a component unit of the Albuquerque Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Foundation's 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.

Auditors' 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 auditors' 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Foundation as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of the Matter

As discussed in Note 7 to the financial statements, the Foundation has recorded a prior period restatement in the amount of \$1,920,169 related to amounts previously recognized as agency funds, but in the current year has incorporated the program activity within the Foundation's operations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Foundation has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined necessary to supplement the basic financial statements, although not required to be part of, the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
November 8, 2013

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of Albuquerque Public Schools)
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,268,612
Investments	1,976,526
Accrued interest	<u>8,549</u>

Total current assets	<u>4,253,687</u>
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Non-current assets:

Beneficial interest in remainder trusts	<u>2,335,652</u>
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TOTAL ASSETS	<u>\$ 6,589,339</u>
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LIABILITIES AND NET POSITION

Current liabilities:

Accrued liabilities	<u>\$ 15,735</u>
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Net position:

Unrestricted	2,331,708
Restricted, nonexpendable	2,642,478
Restricted, expendable	<u>1,599,418</u>

Total net position	<u>6,573,604</u>
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TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,589,339</u>
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The accompanying notes are an integral part of the financial statements.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of Albuquerque Public Schools)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended June 30, 2013

OPERATING REVENUES AND OTHER SUPPORT

Donations and pledges	\$ 2,020,193
Operational support for management services	448,091
Fundraising	60,179
Other revenue	<u>85,441</u>
Total operating revenues and other support	<u>2,613,904</u>

OPERATING EXPENSES

Distributions to Albuquerque Public Schools programs	1,971,069
General and administrative expenses	615,180
Fundraising expenses	<u>14,932</u>
Total operating expenses	2,601,181

OPERATING INCOME

12,723

NON-OPERATING REVENUES (EXPENSES)

Investment income	191,101
Change in value of beneficial interest in remainder trusts	<u>21,926</u>
Total non-operating expenses	<u>213,027</u>

INCOME AFTER TOTAL NON-OPERATING REVENUES

225,750

CHANGE IN NET POSITION

225,750

TOTAL NET POSITION, BEGINNING OF YEAR

4,427,685

RESTATEMENT

1,920,169

TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED

6,347,854

TOTAL NET POSITION, END OF YEAR

\$ 6,573,604

The accompanying notes are an integral part of the financial statements.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of Albuquerque Public Schools)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from donors and other sources	\$ 2,157,264
Cash paid to beneficiaries, vendors, and employees	<u>(2,159,876)</u>
Net cash used by operating activities	<u>(2,612)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	1,403,036
Purchases of investments	(2,139,848)
Investment income	<u>191,101</u>
Net cash used by investing activities	<u>(545,711)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 (548,323)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 896,766
 PRIOR PERIOD ADJUSTMENT - AGENCY FUND	 <u>1,920,169</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 2,268,612</u></u>
 RECONCILIATION OF OPERATING INCOME	
TO NET CASH FROM OPERATING ACTIVITIES	
Operating income	\$ 12,723
Adjustments to reconcile operating income	
to net cash used by operating activities:	
Changes in assets and liabilities:	
Accrued liabilities	(6,786)
Accrued interest	<u>(8,549)</u>
Total reconciling adjustments	<u>(15,335)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u><u>\$ (2,612)</u></u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH	
OPERATING AND INVESTING ACTIVITIES	
Non-cash administrative support provided by	\$ 448,091
Albuquerque Public Schools	
Change in value of beneficial interest in remainder trusts	<u>\$ 21,926</u>

The accompanying notes are an integral part of the financial statements.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Albuquerque Public Schools Foundation (the Foundation), a component unit of the Albuquerque Public Schools (APS), is a nonprofit organization incorporated under laws of the State of New Mexico on April 25, 1995. The Foundation was established to solicit, receive and manage private voluntary support for the benefit and on behalf of APS. The Foundation itself has no component units.

The Foundation is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Foundation. The Board consists of no less than three members and no more than 25 members. Board members represent government, business, public sector, private individuals and organizations that are interested in supporting programs and services of APS. The term served by Board members is three years. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code) and is not considered a private foundation within the meaning of Section 509(a) of the Code.

A Memorandum of Agreement between the Foundation and APS was signed and executed on January 5, 2005.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Foundation have been prepared as a governmental not-for-profit organization on the accrual basis of accounting, in accordance with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements, as the Foundation meets the criteria of a governmental entity for accounting purposes.

Basis of Presentation

The Foundation's financial statements are reported as a proprietary fund, using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred. Operating revenues and expenses are those incurred by the Foundation and events and activities that relate directly to the Foundation's staff and programs. Revenues from investments and revenues from restricted Trusts are considered non-operating.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the Foundation's fiscal year beginning July 1, 2012. Implementation of GASB 63 had no effect on the Foundation's net position or changes in net position for the fiscal year ended June 30, 2013.

Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position has arisen from exchange transactions, receipt of unrestricted contributions and expirations of existing restrictions. Restricted expendable contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period. As an expense is incurred, the Foundation will first apply unrestricted resources.

Restricted unexpendable net position is subject to donor-imposed restrictions that they be maintained permanently by the Foundation. This class of net position consists of Bennett Endowment fund investments to be held indefinitely, the income from which is expendable to support APS student vision care costs.

Restricted expendable net position represents resources whose use is limited by donors for the support of student programs. Such restrictions are legally enforceable. Restricted expendable net position is released from restrictions as their purpose restrictions are met.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of cash on deposit with financial institutions and money market accounts.

Investments

Investments are reported at fair value. Unrestricted investments held by the Foundation have been classified as current based on the nature of the underlying investment securities. Other restricted investments have been classified as non-current. The estimated fair value of investments is based on quoted market prices.

Revenue Recognition

The Foundation is accounted for as a governmental not-for-profit organization, and it follows revenue recognition rules as defined below:

Donations – The Foundation recognizes revenue on donations when all applicable eligibility requirements are met.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges – Unconditional pledges, if any, are recognized as revenues in the period received and as assets, decreases in liabilities or expenses, depending on the form of the benefits to be received. Conditional pledges are recognized as revenues when the conditions on which they depend are substantially met. An allowance for doubtful pledges is recorded when the pledge is recorded. The allowance is based on past pledge loss experience and other factors that management considers necessary in estimating pledge losses.

Contributions of Services Revenues – Contributions of services are recognized in the financial statements of the Foundation only if the services received: (a) create or enhance non-financial assets of the Foundation, and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Use of office furniture and equipment is provided at no charge by APS.

Beneficial Interest in Remainder Trusts – A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the Foundation receives a percentage of the assets remaining in the trust. Beneficial interest in remainder trusts represent the present value of estimated future cash receipts from the trust's assets. Contribution revenue is recognized in the period in which the trust is established. In subsequent years, income earned on trust assets, recognized gains and losses, and distributions paid will be recognized. Revaluation of the present value of the estimated future payments and changes in actuarial assumptions will be recognized in the Statement of Revenues, Expenses and Change in Net Position.

Advertising Costs

The Foundation expenses advertising costs as incurred. Expenses incurred for the year ended June 30, 2013 were \$1,811.

Subsequent Events

Management evaluated subsequent events through November 8, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to November 8, 2013, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – CASH AND CASH EQUIVALENTS

A detail of the cash accounts at June 30, 2013 is included below:

Name of Depository	Account Name	Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Wells Fargo	Operating	Deposit	\$ 1,243,413	\$ 5,937	\$ 1,249,350
Merrill Lynch	Investments	Money Market	78,300	-	78,300
Wells Fargo	Disbursements	Deposit	991,233	(50,563)	940,670
PayPal	Cash	Deposit	<u>292</u>	<u>-</u>	<u>292</u>
			<u>\$ 2,313,238</u>	<u>\$ (44,626)</u>	<u>\$ 2,268,612</u>

Deposits

Cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits in financial institutions may not be returned to it. The Foundation's bank balance of deposits held in financial institutions at June 30, 2013 was \$2,312,941 and was insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per depositor per institution. The Foundation does not require collateral on its cash deposits. Money market funds are not subject to custodial credit risk.

NOTE 4 – INVESTMENTS

Investment Policy Statement (IPS): In December 2002, the Foundation Board of Directors adopted an IPS to assist in the supervising, monitoring and evaluating of the Foundation investments. The IPS is to provide financial stability for the Foundation operations and an increasing stream of income for future program growth. In February 2013 the Foundation transferred all investment assets held with Bank of Albuquerque to Merrill Lynch.

The Foundation shall be responsible for:

- Overseeing the Foundation Investment Portfolio.
- Defining the investment objectives and policies of the portfolio.
- Directing the Investment Manager to make changes in investment policy and to oversee and to approve or disapprove Investment Manager recommendations with regard to policy, guidelines, objectives and specific investments.
- Foundation shall provide the Investment Manager with all relevant information on its financial conditions and risk tolerances and shall notify the Investment Manager promptly of any changes to this information.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – INVESTMENTS (CONTINUED)

The Foundation agrees that investment discretion can be delegated to qualified, professional investment specialists or private portfolio managers (Investment Managers) that would be identified by the Foundation’s Finance Committee resulting from an extensive quantitative and qualitative process of diligence.

Guidelines for the Investment Manager are that the investment of the Foundation’s investment portfolio shall be limited to individual marketable securities or packaged products (e.g., mutual funds) in the following categories:

- Cash and cash equivalents
- Fixed Income – Domestic bonds
- Fixed Income – Non-U.S. bonds
- Fixed Income – High Yield
- Equities – U.S. and Non-U.S. within an international portfolio

Credit Risk - Debt Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In order to assess credit risk, the Foundation is required to disclose credit ratings of its debt investments. U.S. government obligations and obligations guaranteed by the U.S. government are not considered to have credit risk and, accordingly, do not require disclosure.

The Foundation’s investments and their exposure to credit quality risk at June 30, 2013 are as follows:

	<u>S&P / Moody’s Rating</u>	<u>Fair Market Value</u>
Governmental Bonds		
	*** / AAA	\$ 319,626
	AAA< / AAA	44,059
	AA+ / AAA	<u>143,387</u>
Total Governmental Bonds		<u>507,072</u>

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – INVESTMENTS (CONTINUED)

	S&P / Moody's Rating	Fair Market Value	
Corporate Bonds			
	AA+ / AA1	39,881	
	AA< / AA1	39,949	
	AA+ / A1	20,884	
	AA / AA1	41,039	
	A+ / A1	71,723	
	A+ / A2	20,482	
	A / A2	39,076	
	A< / A3	18,672	
	A- / A3	157,522	
	A- / BAA2	20,837	
Total Corporate Bonds		470,065	
Total Subject to Credit Quality Risk		\$ 977,137	
Bonds Subject to Credit Quality Risk			\$ 977,137
Equities – Not Subject to Credit Quality Risk			999,389
Total Investments as of June 30, 2013			\$1,976,526

Interest Rate Risk - Debt Investments

Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. The Foundation does not have a policy for interest rate risk management, but its practice is to address interest risk through the management of debt investment duration.

A summary of the investments at June 30, 2013 and their exposure to interest rate risk is as follows:

	Less than 1 Year	1-5 Years	5–10 Years	More than 10 Years
Corporate Bonds	\$ -	\$ 270,636	\$ 199,429	\$ -
Governmental Bonds	51,910	211,256	138,055	105,851
Total	\$ 51,910	\$ 481,892	\$ 337,484	\$ 105,851
Total investments subject to interest rate risk				\$ 977,137

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – INVESTMENTS (CONTINUED)

Concentration of Credit Risk – Investments

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2013, the Foundation was not exposed to concentration of credit risk as no single issuer represented 5% of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All holdings at June 30, 2013 were denominated in United States Dollars.

NOTE 5 – BENEFICIAL INTERESTS IN REMAINDER TRUSTS

On May 11, 2001, the Foundation was awarded an interest in the William H. and Lilian Dolde Charitable Trust for the purpose of funding fine arts programs in the Albuquerque Public Schools. The Bank of America administers the Trust. The Trust was originally funded in the amount of \$2,000,000. The Trust document calls for the annual distribution of an amount equal to 5% of the Trust's net position. This annual distribution will expire on December 31, 2051. Upon termination of the Trust, the Foundation is entitled to a portion of the remaining assets in order to establish a permanent endowment for the fine arts. The Foundation is irrevocably entitled to 90% of all annual distributions and 90% of the remaining Trust net position upon termination. The Foundation's interest in the Trust's assets is recorded at fair market value with adjustments made annually for increases or decreases in value. The present value of the Trust agreement was initially calculated using a discount rate of 5% with annual distributions to be received of \$90,000 (90% of \$100,000) for 49.5 years. The present value of the Trust net position at termination was initially estimated using a value of \$1,800,000 in remaining net position (90% of \$2,000,000) with a discount rate of 5% for 50 years. During the fiscal year ended June 30, 2013, the Trust distributed \$117,185 to the Foundation, while \$117,185 was disbursed. The present value of the Trust increased by \$13,171 and the fair value of the Trust's assets increased by \$47,869 for the fiscal year ended June 30, 2013. This resulted in the recording of a beneficial interest in the Trust in the amount of \$1,932,866 for the year ended June 30, 2013. The 2013 changes in present and fair values are reflected in the Foundation's Statement of Revenues, Expenses and Change in Net Position.

In April of 2003, the Foundation was awarded an interest in the Guhl Charitable Trust for the purpose of funding programs in the Albuquerque Public Schools. The Bank of America administers the Trust. The Trust document calls for the distribution of an amount equal to 20% of the Trust's remaining assets to the Foundation upon termination on April 13, 2013. The Foundation's interest in the Trust's assets is recorded at fair market value with adjustments

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – BENEFICIAL INTERESTS IN REMAINDER TRUSTS (CONTINUED)

made annually for increases or decreases in value. The present value of the Trust agreement was calculated using a discount rate of 5%. No present value of the Trust net position at termination was estimated as the termination date was within a year. The Trust assets (20% of \$2,013,932 [market value of trust as of June 30, 2013]) with a discount rate of 5%, resulted in the recording of a beneficial interest in the Guhl Trust in the amount of \$402,786 for the fiscal year ended June 30, 2013. The increase in beneficial interest of \$8,755 is reflected in the Foundation's Statement of Revenues, Expenses and Change in Net Position.

NOTE 6 – RELATED PARTIES

District programs are the primary beneficiaries of funds donated to the Foundation. Certain District employees whose services were contributed to the Foundation also served as Foundation Board members in an ex-officio capacity. Certain voting Board members were affiliated with the District or with other entities served through the Foundation.

During the year ended June 30, 2013, the Foundation received contributions from the District with a market value of \$448,091. The contributions included employee services and donated supplies and materials.

The Foundation has no employees of its own. During the year ended June 30, 2013, all Foundation staff members were employees of the District; however, the Foundation reimbursed the District for 18% of the Executive Director's compensation package and all Foundation employee benefits at a rate of 26%.

NOTE 7 – PRIOR PERIOD RESTATEMENT

The APS Foundation had acted as a fiscal agent for various APS programs and recorded them as agency funds. The Foundation, however, was exercising control over these programs and should have incorporated the program activity within the Foundation's operations. At June 30, 2012, the restricted unexpendable net position was understated by \$738,292 and restricted expendable net position was understated by \$1,181,877. Also, at June 30, 2012 assets were understated by \$1,920,169. The net position is restated as follows:

Net position at June 30, 2012, previously stated	\$ 4,427,685
Record program assets	<u>1,920,169</u>
Net position at June 30, 2013, as restated	<u>\$ 6,347,854</u>

This information is an integral part of the accompanying financial statements.

**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***

The Board of Directors
Albuquerque Public Schools Foundation
and
Hector H. Balderas
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 activity of the Albuquerque Public Schools Foundation (the Foundation), a component unit of Albuquerque Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2013-72).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

The Foundation's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, New Mexico
November 8, 2013

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of the Albuquerque Public Schools)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

Section II – Financial Statement Findings

2013-72 – Prior Period Restatement – Agency Transaction Determination (Material Weakness)

Condition: Certain donors impose restriction on use of monies to benefit programs of APS. In the current year, the Foundation determined that it had the authority to make spending decisions on the restricted funds to each program. As a result of the change in evaluation, management has restated its previously reported net position balance by \$1.9 million to reflect the recording of the agency activity in the statement of revenues, expenses and change in net position of the prior years.

Criteria: All activity should be properly recorded in the Foundation's records.

Cause: The Foundation has not implemented a formal policy and procedure for identifying an agency fund vs. operational transaction when donor monies are received.

Effect: The FY 2012 net position balance was understated by \$1.9 million and the error was corrected in FY 2013.

Recommendation: We recommend that all future activity be evaluated through a formal process to properly evaluate the correct recording of transactions.

Management's Response: The Foundation's board members and accounting staff determined the presentation in the 2012 financial statement was incorrect. Based on this, we believe the prior period adjustment is based on management correctly evaluating the program activity. All future activity will be evaluated proactively to ensure the proper presentation of the program activity.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of Albuquerque Public Schools)
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

Section II – Financial Statement Findings

There were no findings for the year ended June 30, 2012.

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION
(A Component Unit of Albuquerque Public Schools)
EXIT CONFERENCE
June 30, 2013

An exit conference was held with the Foundation on October 25, 2013. In attendance were:

ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION

Phil Casaus, Executive Director
J.J. Griego, Board Member, Treasurer
Ann Lerner, Board Member
Jeff Lunsford, Board Member
Cathy Cavin, Resource Specialist
Cheryl Burgmaier, CPA, Burgmaier, Palmer & Company
Rachel Rios, Burgmaier, Palmer & Company

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Principal

PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditor's Report. Management reviewed and approved the financial statements.