

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF  
ALBUQUERQUE PUBLIC SCHOOLS)**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
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YEAR ENDED JUNE 30, 2015**

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**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
BOARD OF DIRECTORS  
YEAR ENDED JUNE 30, 2015**

Jeff Lunsford, President  
Tammy Grady Thornton, Vice President  
Robert Schapira, Past President  
Cristy Carbon-Gaul, Past President  
Tony Dees, Treasurer-Secretary  
Jon Barela, Emeritus  
Dale Dekker, Emeritus  
Adrian Chavez, Director  
JJ Griego, Director  
Shana Runck, Director  
Frank Frost, Director  
Aubrey Johnson, Director  
Veronica Garcia, Director  
Natasha Martell-Jackson, Director  
Amy Tapia, Director  
Traci Olivas, Director  
Julia Miera, Director  
Eileen Vaughn-Pickrell, Director  
Anthony Trujillo, Director  
Roberta Zamora, Director  
Hailey Fortin, Student Board Member/Director  
Ben Holubiak, Student Board Member/Director

**Ex-Officio**

Brad Winter, Interim Superintendent  
Dr. Don Duran, APS Board of Education President  
Monica Armenta, Executive Director, APS Communications  
Ellen Bernstein, Albuquerque Teachers Federation

**Staff**

Phill Casaus  
Cathy Cavin  
Daniel Jaecks  
Lawren McConnell



# CliftonLarsonAllen

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Albuquerque Public Schools Foundation  
Albuquerque, New Mexico  
and  
Timothy Keller, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Albuquerque Public Schools Foundation (the Foundation), a nonprofit organization and component unit of the Albuquerque Public Schools, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

### ***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.

Board of Directors  
Albuquerque Public Schools Foundation  
and  
Timothy Keller, New Mexico State Auditor

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis-of-Matter Regarding a Correction of an Error**

As described in Note 10 to the financial statements, during the year ended June 30, 2015, the Foundation performed a retrospective review of net assets to ensure amounts were properly classified according to restriction. As a result of this review, beginning of the year net assets have been restated to properly reflect unrestricted, temporarily restricted, and permanently restricted classifications. There was no effect on previously reported change in net assets or total net assets. Our opinion is not modified with respect to that matter.

**Report on Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the financial statements.

The other information required by Section 2.2.2 NMAC has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 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 result of that testing, and not to provide an opinion on 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  
October 20, 2015

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015**

**ASSETS**

**CURRENT ASSETS**

|                                 |    |           |
|---------------------------------|----|-----------|
| Cash and Cash Equivalents       | \$ | 3,477,853 |
| Investments                     |    | 2,024,586 |
| Accrued Interest on Investments |    | 6,715     |
| Total Current Assets            |    | 5,509,154 |

**NON-CURRENT ASSETS**

|  |  |           |
|--|--|-----------|
| Beneficial Interest in Remainder Trust |  | 1,937,471 |
|  |  | 1,937,471 |

**TOTAL ASSETS**

|  |    |           |
|--|----|-----------|
|  | \$ | 7,446,625 |
|  |    | 7,446,625 |

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|                           |    |        |
|---------------------------|----|--------|
| Accounts Payable          | \$ | 96,376 |
| Total Current Liabilities |    | 96,376 |

**NET ASSETS**

|                    |  |           |
|--------------------|--|-----------|
| Unrestricted       |  | 1,763,937 |
| Board Designated   |  | 133,437   |
| Total Unrestricted |  | 1,897,374 |

|                        |  |           |
|------------------------|--|-----------|
| Temporarily Restricted |  | 3,390,404 |
| Permanently Restricted |  | 2,062,471 |
| Total Net Assets       |  | 7,350,249 |

**TOTAL LIABILITIES AND NET ASSETS**

|  |    |           |
|--|----|-----------|
|  | \$ | 7,446,625 |
|  |    | 7,446,625 |

See accompanying Notes to Financial Statements.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2015**

|   | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
|---|--------------|---------------------------|---------------------------|--------------|
| <b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>                |              |                           |                           |              |
| Donations and Pledges                                     | \$ 63,562    | \$ 1,885,433              | \$ -                      | \$ 1,948,995 |
| In-Kind Contributions                                     | 563,761      | -                         | -                         | 563,761      |
| Special Events  | 70,771       | 88,617                    | -                         | 159,388      |
| Investment Income, Net of \$17,621 in Fees                | 27,346       | 14,602                    | -                         | 41,948       |
| Change in Value of Beneficial Interest in Remainder Trust | -            | -                         | (3,314)                   | (3,314)      |
| Other   | 285,875      | 38,936                    | -                         | 324,811      |
| Total Revenues, Gains, and Public Support                 | 1,011,315    | 2,027,588                 | (3,314)                   | 3,035,589    |
| Net Assets Released from Restrictions:                    |              |                           |                           |              |
| Expiration of Time and Purpose Restrictions               | 2,003,150    | (2,003,150)               | -                         | -            |
| <b>EXPENSES</b>   |              |                           |                           |              |
| Program Services  | 1,926,184    | -                         | -                         | 1,926,184    |
| Fundraising   | 127,712      | -                         | -                         | 127,712      |
| Management and General                                    | 597,915      | -                         | -                         | 597,915      |
| Total Expenses  | 2,651,811    | -                         | -                         | 2,651,811    |
| <b>CHANGES IN NET ASSETS</b>                              | 362,654      | 24,438                    | (3,314)                   | 383,778      |
| Net Assets - Beginning of Year, As Previously Reported    | 1,963,740    | 3,069,865                 | 1,932,866                 | 6,966,471    |
| Restatement   | (214,020)    | 206,101                   | 7,919                     | -            |
| Net Assets - Beginning of Year, Restated                  | 1,749,720    | 3,275,966                 | 1,940,785                 | 6,966,471    |
| Reclassifications   | (215,000)    | 90,000                    | 125,000                   | -            |
| <b>NET ASSETS - END OF YEAR</b>                           | \$ 1,897,374 | \$ 3,390,404              | \$ 2,062,471              | \$ 7,350,249 |

See accompanying Notes to Financial Statements.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |    |          |
|---|----|----------|
| Change in Net Assets  | \$ | 383,778  |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: |    |          |
| Net Realized and Unrealized Losses in Beneficial Interests in Remainder Trusts              |    | 3,314    |
| Net Realized and Unrealized Gains on Investments  |    | (35,234) |
| Effects of Changes in Operating Assets and Liabilities:                                     |    |          |
| Beneficial Interest in Remainder Trust  |    | 456,126  |
| Accounts Payable and Other Liabilities  |    | 17,943   |
| Net Cash Provided by Operating Activities   |    | 825,927  |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |  |         |
|---|--|---------|
| Proceeds from Sale of Investments         |  | 122,248 |
| Net Cash Provided by Investing Activities |  | 122,248 |

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

948,175

Cash and Cash Equivalents - Beginning of Year

2,529,678

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 3,477,853

**NONCASH ACTIVITIES**

|   |  |            |
|---|--|------------|
| Noncash Administrative Support Provided by Albuquerque Public Schools |  | \$ 523,761 |
| Contributed Goods and Services  |  | \$ 40,000  |

*See accompanying Notes to Financial Statements.*



**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION**  
**(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets.

**Unrestricted Net Assets** – These assets represent sources whose use is not limited to or restricted by donors. Unrestricted net assets have arisen from exchange transactions, receipt of unrestricted contributions and expirations or satisfaction of existing restrictions.

The Foundation treats restricted contributions whose restrictions are satisfied during the same fiscal year as unrestricted support. All contributions made to the Foundation are considered to be available for unrestricted use unless specifically restricted by the donor.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Temporarily Restricted Net Assets** – These assets result from (a) contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations; (b) other assets enhancements and diminishments subject to the same kinds of stipulations; and (c) imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Foundation pursuant to those stipulations.

**Permanently Restricted Net Assets** – These assets have donor-imposed restrictions that stipulate that resources be maintained permanently but permit the Foundation to use up or expend part or all of the income or economic benefits derived from the donated assets.

**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**

The Foundation records investments at fair value. See Note 4 for a description of fair value determination.

**Income Taxes**

The Foundation is a non-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation. As such, their normal activities do not result in any income tax liability. The Foundation pays taxes on unrelated business income.

The Foundation would recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no such interest or penalties recorded for the year ended June 30, 2015.

The Foundation files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Foundation is subject to examination by federal, state, local and foreign jurisdictions, where applicable.

**Revenue Recognition**

The Foundation is accounted for as a not-for-profit organization, and its 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 ALBUQUERQUE PUBLIC SCHOOLS)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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. For the year end June 30, 2015, approximately \$7,000 was included as in-kind revenue on the Statement of Activities and Changes in Net Assets for office furniture and equipment use.

**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 Activities and Changes in Net Assets.

**Advertising Costs**

The Foundation expenses advertising costs as incurred. Expenses incurred for the year ended June 30, 2015 were approximately \$4,225.

**Subsequent Events**

Management evaluated subsequent events through October 20, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to October 20, 2015, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, 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, 2015.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 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's investments. The IPS is to provide financial stability for the Foundation operations and an increasing stream of income for future program growth. All investment assets are held with 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.
- Providing the Investment Manager with all relevant information on its financial conditions and risk tolerances and notifying the Investment Manager promptly of any changes to this information.

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

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION**  
**(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Foundation uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets, and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2015.

|   | Fair Value Measurements Using  |   |  | Total               |
|---|--|---|--|---------------------|
|   | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |                     |
| Investments                               |  |   |  |                     |
| Bonds                                     | \$ 741,526   | \$ -  | \$ -   | \$ 741,526          |
| Equities                                  | 1,283,060  | -   | -  | 1,283,060           |
| Beneficial Interest in<br>Remainder Trust | -  | -   | 1,937,471  | 1,937,471           |
| <b>Total</b>                              | <b>\$ 2,024,586</b>  | <b>\$ -</b>   | <b>\$ 1,937,471</b>                                | <b>\$ 3,962,057</b> |

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following information summarizes the difference between cost and the estimated fair value for investments:

|   | <u>Cost</u>             | <u>Estimated<br/>Fair Value</u> | <u>Market Value<br/>Over (Under)<br/>Cost</u> |
|---|-------------------------|---------------------------------|---|
| Investments                               |                         |                                 |   |
| Bonds                                     | \$ 747,453              | \$ 741,526                      | \$ (5,927)                                    |
| Equities                                  | 1,207,761               | 1,283,060                       | 75,299  |
| Beneficial Interest in<br>Remainder Trust | <u>1,937,471</u>        | <u>1,937,471</u>                | <u>-</u>                                      |
| <br>Total                                 | <br><u>\$ 3,892,685</u> | <br><u>\$ 3,962,057</u>         | <br><u>\$ 69,372</u>                          |

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2015.

|                                  |                     |
|----------------------------------|---------------------|
| Beginning Balance                | \$ 2,396,911        |
| Contributions                    | 186,411             |
| Distributions                    | (830,810)           |
| Dividend Income                  | 49,110              |
| Net Unrealized Gain              | (22,874)            |
| Investment Management Fees       | (33,249)            |
| Change in Present Value Discount | <u>191,972</u>      |
| Ending Balance                   | <u>\$ 1,937,471</u> |

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the statement of activities for the year ended June 30, 2015.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 Foundations. 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, 2015, the Trust distributed approximately \$375,000 to the Foundation. The present value of the Trust decreased by approximately \$3,900 and the fair value of the Trust's assets decreased by approximately \$3,314 for the fiscal year ended June 30, 2015. This resulted in the recording of a beneficial interest in the Trust in the amount of \$1,937,471 for the year ended June 30, 2015. The 2015 changes in present and fair values are reflected in the Foundation's Statement of Activities and Changes in Net Assets.

In April of 2003, the Foundation was awarded interest in the Guhl Charitable Trust for the purpose of funding programs in the Albuquerque Public Foundations. The Bank of America administered the Trust. The Trust document called for the distribution of an amount equal to 20% of the Trust's remaining assets to the Foundation upon termination on April 13, 2014. The Foundation's interest in the Trust's assets was recorded at fair market value with adjustments made annually for increases or decreases in value. In October of 2014, APS Foundation received the final payment of the Guhl Trust of approximately \$450,000.

**NOTE 6 RELATED PARTIES**

APS programs are the primary beneficiaries of funds donated to the Foundation. Certain APS 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 APS or with other entities served through the Foundation.

During the year ended June 30, 2015, the Foundation received contributions from APS with a market value of \$523,761. The contributions included employee services and donated supplies and materials.

The Foundation has no employees of its own. During the year ended June 30, 2015, all Foundation staff members were employees of APS.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2015:

|  |                     |
|--|---------------------|
| Purpose:                                     |                     |
| APS Programs                                 | \$ 1,424,897        |
| Nursing Services - Vision Care               | 797,789             |
| Literacy Programs                            | 621,318             |
| Fine Arts                                    | 184,499             |
| Mini Grants to School Programs               | 131,886             |
| Other  | 59,712              |
| Marketing Expenses and Teacher Awards        | 59,167              |
| APS Seeds of Learning                        | 50,000              |
| Middle School Grants                         | 47,618              |
| Teacher Professional Development             | 10,490              |
| Library Projects at Griegos and Los Padillos | 2,928               |
| Teacher Awards in B. Facio's Name            | <u>100</u>          |
| Total  | <u>\$ 3,390,404</u> |

Net assets are released from restrictions by incurring expenses satisfying the restricted purposes. Net assets released from restrictions were comprised of the following:

|                                       |                     |
|---------------------------------------|---------------------|
| Purpose:                              |                     |
| APS Programs                          | \$ 1,383,981        |
| Fine Arts                             | 283,442             |
| Mini Grants to School Programs        | 238,530             |
| APS Seeds of Learning                 | 40,000              |
| Middle School Grants                  | 23,000              |
| Other                                 | 12,713              |
| Marketing Expenses and Teacher Awards | 9,900               |
| Literacy Programs                     | 5,726               |
| Teacher Professional Development      | 5,558               |
| Teacher Awards in B. Facio's Name     | <u>300</u>          |
| Total                                 | <u>\$ 2,003,150</u> |



**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION**  
**(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the Foundation. At June 30, 2015, permanently restricted net assets were made up of the Dolde Trust in the amount of \$1,937,471, and amounts restricted for the APS Seeds of Learning Program in the amount of \$125,000.

**NOTE 9 CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash depository accounts with various financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in these accounts may at times exceed the federally insured amount. The Foundation did not have deposits in excess of the insured amounts at year end. The Foundation has not experienced, and its management believes it is not exposed to, significant credit risk from excess deposits.

**NOTE 10 RESTATEMENT**

During the year ended June 30, 2015, management performed a retrospective review of net assets to ensure amounts were properly classified according to restriction. As a result of this review, it was determined that June 30, 2014 unrestricted net assets were overstated by \$214,020, temporarily restricted net assets were understated by \$206,101, and permanently restricted net assets were understated by \$7,919. Beginning of the year net assets have been restated to reflect these changes. There was no effect on previously recorded change in net assets or total net assets.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED)  
JUNE 30, 2015**

| RFB#/RFP# | Type of Procurement | Awarded Vendor | \$ Amount of Awarded Contract | \$ Amount of Amended Contract | Name and Physical Address, Per the Procurement Documentation, of <u>ALL</u> Vendor(s) That Responded | In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition) | Was the Vendor In-State and Chose Veteran's Preference (Y or N) - For Federal Funds, Answer N/A | Brief Description of the Scope of Work |
|-----------|---------------------|----------------|-------------------------------|-------------------------------|--|--|---|--|
| None      | N/A                 | N/A            | N/A                           | N/A                           | N/A  | N/A  | N/A   | N/A                                    |



# CliftonLarsonAllen

## INDEPENDENT AUDITORS' 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

Board of Directors  
Albuquerque Public Schools Foundation  
Albuquerque, New Mexico

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 Albuquerque Public Schools Foundation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albuquerque Public Schools 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albuquerque Public Schools Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Albuquerque Public Schools 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 certain 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 material weakness (2015-010).

Board of Directors  
Albuquerque Public Schools Foundation  
and  
Timothy Keller, New Mexico State Auditor

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Albuquerque Public Schools 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*.

### **Albuquerque Public Schools Foundation's Response to Findings**

Albuquerque Public Schools Foundation's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Albuquerque Public Schools 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.



### **CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
October 20, 2015

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF THE ALBUQUERQUE PUBLIC SCHOOLS)  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**2015-010 – Restatement for Classification of Net Assets (Material Weakness)**

**Condition:** During the year ended June 30, 2015, it was noted that there were several errors in the classification of net assets into unrestricted, temporarily restricted, and permanently restricted net assets for contributions received in years prior to June 30, 2015. June 30, 2014 unrestricted net assets were overstated by \$214,020, temporarily restricted net assets were understated by \$206,101, and permanently restricted net assets were understated by \$7,919.

**Criteria:** Per FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Classification is based upon the existence or absence of donor-imposed restrictions.

**Cause:** In previous years, not all contributions received were reported in the appropriate net asset class according to existence or absence of donor restriction.

**Effect:** Unrestricted net assets were overstated by \$214,020, temporarily restricted net assets were understated by \$206,101, and permanently restricted net assets were understated by \$7,919. The financial statements for the year ended June 30, 2015 included a restatement of the June 30, 2014 net asset balances by these amounts.

**Auditor's Recommendation:** We recommend the Foundation review each contribution for donor imposed restrictions and report those contributions as unrestricted, temporarily restricted, or permanently restricted, in accordance with those restrictions.

**Management's Response:** The Executive Director is responsible for reviewing all contributions and donor restrictions and ensuring they are appropriately recorded in the financial statements. Prior to June 30, 2015, Executive Director review was put into place. The Executive Director has reviewed all previous contributions and will continue to diligently monitor and report restrictions.

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF THE ALBUQUERQUE PUBLIC SCHOOLS)  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**2014-026 – Internal Control Structure (Material Weakness) – Resolved**

**2014-027 – Revenue and Expense Recognition (Material Weakness) – Resolved**

**2014-028 – Journal Entries (Significant Deficiency) – Resolved**

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION  
(A COMPONENT UNIT OF ALBUQUERQUE PUBLIC SCHOOLS)  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2015**

An exit conference was held with the Foundation on October 13, 2015. In attendance were:

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION**

Phill Casaus, Executive Director  
Tony Dees, Board Member, Treasurer  
J.J. Griego, Board Member  
Jeff Lunsford, Board Member, President  
Roberta Valasquez, Resource Specialist  
Cheryl Burgmaier, CPA, Burgmaier and Associates

**CLIFTONLARSONALLEN LLP**

Jennifer Putnam, CPA, Director

**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 Auditors' Report. Management reviewed and approved the financial statements.