



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**ALBUQUERQUE PUBLIC SCHOOLS FOUNDATION**  
(A Component Unit of Albuquerque Public Schools)

June 30, 2018

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**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Year Ended June 30, 2018**  
**Board of Directors (unaudited)**

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Joseph F. Varro, Jr., President  
Heather Johnson, Vice President  
Joseph Trimble, Secretary/Treasurer  
Brenda Begley, Director  
Carlos Fourzan, Director  
Alarie Ray-Garcia, Director  
Chris Gonzales, Director  
Michael Jasso, Director  
Krista Parker, Director  
Jasylyn Shiparski, Director  
Katrina Wagner, Director  
Rick Brown, Director  
Arellana Cordero, Director  
Ron Eppes, Director  
Brian Fairhurst, Director  
Bert Parnall, Director  
Shana Runck, Director  
Julio Chavez, Student Board Member/Director  
Joseph Barbara, Student Board Member/Director  
Ronja Steinbach, Student Board Member/Director  
Jon Barela, Emeritus  
Dale Dekker, Emeritus

Ex-Officio

Raquel Reedy, APS Superintendent  
Dr. Davis Percy, APS Board of Education President  
Monica Armenta, Executive Director, APS Communications  
Ellen Bernstein, Albuquerque Teachers Federation

Staff

Shannon Barnhill  
Roberta Velasquez  
Lori Webster  
Lawren McConnell

## **Report of Independent Auditors**

To the Board of Directors  
Albuquerque Public Schools Foundation  
Albuquerque, New Mexico and  
Mr. Wayne A. Johnson, 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, 2018, 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.

#### ***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 an opinion 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 opinion.

***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, 2018, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, 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 solely 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 effectiveness of the Foundation's 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 1, 2018

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**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Statement of Financial Position**  
**June 30, 2018**

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**ASSETS**

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 3,189,678
Pledged receivable	8,500
Investments	2,351,273
Certificates of deposit	338,844
Prepaid expenses	2,906
Total current assets	<u>5,891,201</u>
<b>NON-CURRENT ASSETS</b>	
Beneficial interest in remainder trust	<u>2,249,642</u>
Total assets	<u><u>\$ 8,140,843</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 80,820
Deferred revenue	39,000
Total current liabilities	<u>119,820</u>
<b>NET ASSETS</b>	
Unrestricted	2,514,873
Temporarily restricted	3,109,705
Permanently restricted	2,396,445
Total net assets	<u>8,021,023</u>
Total liabilities and net assets	<u><u>\$ 8,140,843</u></u>

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>				
Donations and pledges	\$ 288,404	\$ 1,037,269	\$ -	\$ 1,325,673
In-kind contributions	475,957	-	-	475,957
Special events	208,004	-	-	208,004
Investment income, net of \$19,844 in fees	82,412	57,442	6,775	146,629
Change in value of beneficial interest in remainder trust	-	-	293,068	293,068
Other	297,922	-	-	297,922
Total revenues, gains, and public support	<u>1,352,699</u>	<u>1,094,711</u>	<u>299,843</u>	<u>2,747,253</u>
Net assets released from restrictions				
Expiration of time and purpose restrictions	997,394	(997,394)	-	-
<b>EXPENSES</b>				
Program services	1,605,152	-	-	1,605,152
Fundraising	167,137	-	-	167,137
Management and general	386,174	-	-	386,174
Total expenses	<u>2,158,463</u>	<u>-</u>	<u>-</u>	<u>2,158,463</u>
<b>CHANGES IN NET ASSETS</b>	191,630	97,317	299,843	588,790
Net assets, beginning of year	<u>2,323,243</u>	<u>3,012,388</u>	<u>2,096,602</u>	<u>7,432,233</u>
Net assets, end of year	<u>\$ 2,514,873</u>	<u>\$ 3,109,705</u>	<u>\$ 2,396,445</u>	<u>\$ 8,021,023</u>



**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 588,790
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Change in value of beneficial interest in remainder trust	(293,068)
Net realized and unrealized loss on investments	36,995
Effects of changes in operating assets and liabilities	
Pledge receivable	(8,500)
Accrued interest and prepaid expenses	12,796
Accounts payable	33,887
Deferred revenue	(17,000)
Net cash provided by operating activities	<u>353,900</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments and certificates of deposit	593,062
Purchase of investments	(709,694)
Net cash used by investing activities	<u>(116,632)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	237,268
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,952,410</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 3,189,678</u>
<b>NONCASH ACTIVITIES</b>	
Administrative support provided by Albuquerque Public Schools	<u>\$ 438,521</u>
Contributed goods and services	<u>\$ 37,436</u>

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Notes to Financial Statements**

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**Note 1 – Definition of Reporting Entity**

The Albuquerque Public Schools Foundation (the Foundation), a component unit of the Albuquerque Public Schools (the District), 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 the District. 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 the District. The term served by board members is three years.

A Memorandum of Agreement (Memorandum) between the Foundation and the District was signed and executed on October 7, 2009. In accordance with the Memorandum, the District formally recognizes the Foundation as a separate corporate entity established for the sole purpose of soliciting, managing, and distribution private gifts and donations for the benefits of the District. The Memorandum further stipulates that Foundation creates and encourages an opportunity for private individuals and organizations to invest in the support of the District programs and services. The Foundation is subject to Financial Accounting Standards Board (FASB) reporting because they did not meet the definition of a reporting entity under Governmental Accounting Standards Board (GASB) statements No. 14.

**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. Significant estimates and assumptions made by management include the benefit interest in remainder trust, and fair value measurements of investments.

**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.

# **Albuquerque Public Schools Foundation**

## **(A Component Unit of Albuquerque Public Schools)**

### **Notes to Financial Statements**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

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.

*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 diminishment 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 brokerage investments at fair value and certificates of deposit at cost. See Note 4 for a description of fair value determination.

#### **Income Taxes**

The Foundation is a nonprofit 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, 2018.

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 nonprofit 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 Albuquerque Public Schools)**  
**Notes to Financial Statements**

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**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. There was no allowance recorded for the year ended June 30, 2018.

*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 the District. For the year ended June 30, 2018, approximately \$8,563 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, 2018 were approximately \$11,657.

**Recent Accounting Pronouncements**

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 revises the current net assets classification requirements and information presented in financial statements and notes about a non-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal year beginning after December 15, 2017 and early adoption is permitted. Management is evaluating the effect that implementation of ASU 2016-14 will have on the financial statements of the Foundation.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes most of the current recognition requirements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. New disclosures about the nature, amount, timing and

# **Albuquerque Public Schools Foundation**

## **(A Component Unit of Albuquerque Public Schools)**

### **Notes to Financial Statements**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

uncertainty of revenue and cash flows arising from the contracts with customer are also required. ASU 2014-09 is effective for fiscal year beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Management is evaluating the effect that implementation of ASU 2014-09 will have on the financial statements of the Foundation.

#### **Subsequent Events**

Subsequent events are events or transactions that occur after the Statement of Financial Position date but before the financial statements are issued. The organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. The organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Foundation has evaluated subsequent events through November 1, 2018, which is the date of the financial statements were available to be issued.

#### **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.

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Notes to Financial Statements**

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**Note 3 – Investments (continued)**

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

**Note 4 – Fair Value of Financial Instruments**

The Foundation follows Statement ASC 820-10, Fair Value Measurements, which provides a framework for measuring fair value under GAAP and expands disclosures about fair value measurement. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels defined by the ASC 820-10 hierarchy are as follows:

**Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

**Level 3** – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Notes to Financial Statements**

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**Note 4 – Fair Value of Financial Instruments (continued)**

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2018.

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Fixed Income	\$ 582,303	\$ -	\$ -	\$ 582,303
Mutual Funds	1,768,970	-	-	1,768,970
Total Investments	2,351,273	-	-	2,351,273
Beneficial Interest in Remainder Trust	-	-	2,249,642	2,249,642
Total	<u>\$ 2,351,273</u>	<u>\$ -</u>	<u>\$ 2,249,642</u>	<u>\$ 4,600,915</u>

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

	Cost	Market Value
Investments:		
Fixed Income	\$ 598,646	\$ 582,303
Mutual Funds	1,663,901	1,768,970
Total	<u>\$ 2,262,547</u>	<u>\$ 2,351,273</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, 2018:

Beginning Balance	\$ 1,956,574
Distributions	(132,663)
Dividend Income	73,978
Net Unrealized Gain	79,268
Investment Management Fees	(20,583)
Change in Present Value Discount	293,068
Ending Balance	<u>\$ 2,249,642</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, 2018. The 2018 changes in present and fair values are reflected in the Foundation's statement of activities and changes in net assets.

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Notes to Financial Statements**

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**Note 5 – Beneficial Interest 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, 2018, the Trust distributed approximately \$119,242 to the Foundation. The present value of the Trust increased by approximately \$293,068 for the fiscal year ended June 30, 2018. This resulted in the recording of a beneficial interest in the Trust in the amount of \$2,249,642 for the year ended June 30, 2018 (Note 4).

**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, 2018, the Foundation received in-kind contributions from the District with a market value of approximately \$438,521. The contributions included employee services and donated supplies and materials.

The Foundation has no employees of its own. During the year ended June 30, 2018, all Foundation staff members were employees of the District.



**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Notes to Financial Statements**

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**Note 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following at June 30, 2018:

Purpose:		
APS Programs	\$	1,511,463
Nursing Services - Vision Care		849,631
Literacy Programs		342,588
Chief Operations Office		149,051
Fine Arts		99,860
Marketing Expenses and Teacher Awards		31,372
Community Rewards		20,377
Communication Department		11,650
Teacher Professional Development		10,490
Other		83,223
Total	\$	<u>3,109,705</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	\$	810,220
Fine Arts		-
Literacy Programs		99,573
Marketing Expenses and Teacher Awards		38,000
Middle School Grants		18,617
Communications		1,758
Vision Care		6,000
Chief Operations Office		5,376
Other		17,850
Total	\$	<u>997,394</u>

**Note 8 – Permanently Restricted Net Assets**

Permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support the Foundation. At June 30, 2018, permanently restricted net assets were made up of the Dolde Trust in the amount of \$2,249,642, and amounts restricted for the District Seeds of Learning Program in the amount of \$146,803.

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Notes to Financial Statements**

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**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. At June 30, 2018, the checking account balance over FDIC is \$2,963,100. The Foundation has not experienced, and its management believes it is not exposed to, significant credit risk from excess deposits.

## **Report of Independent Auditors 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  
Albuquerque, New Mexico and  
Mr. Wayne A. Johnson, 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 Albuquerque Public Schools Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2018, 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 November 1, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 Foundation's 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 described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 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*.

## **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 results 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 1, 2018

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Schedule of Findings and Responses**

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No matters were reported.

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Summary Schedule of Prior Audit Findings**

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No prior year matters reported.

**Albuquerque Public Schools Foundation**  
**(A Component Unit of Albuquerque Public Schools)**  
**Exit Conference**  
**Year Ended June 30, 2018**

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An exit conference was held with the Foundation on November 1, 2018. In attendance were:

**Albuquerque Public Schools Foundation**

Shannon Barnhill, Executive Director  
Rick Brown; Finance Committee  
Roberta Velasquez; Finance Manager

**Moss Adams LLP**

Sujan Bhandari, CPA, Manager

**Preparation of the Financial Statements**

APS Foundation is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.