



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

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

June 30, 2019

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Albuquerque Public Schools Foundation
(A Component Unit of Albuquerque Public Schools)
Year Ended June 30, 2019
Board of Directors (unaudited)

Joseph F. Varro, Jr., President
Heather Johnson, Vice President
Joseph Trimble, Secretary/Treasurer
Brenda Begley, Director
Rick Brown, Director
Mark Burkhard, Director
Brian Fairhurst, Director
Tiffany Ficklin Gravelle, Director
Carlos Fourzan, Director
Patrick Gay, Director
Chris Gonzales, Director
Michael Jasso, Director
Laurie S. Monfiletto, Director
Krista Koss Parker, Director
Alarie Ray-Garcia, Director
Julie Rowey, Director
Shana Runck, Director
Jasylyn Shiparski, Director
Katrina Wagner, Director
Christopher T. Woo, Director
Shea Burrell, Student Board Member/Director
Abigail Craff, Student Board Member/Director
Ronja Steinbach, Student Board Member/Director
Jon Barela, Emeritus
Dale Dekker, Emeritus

Ex-Officio

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

Staff

Shannon Barnhill
Roberta Velasquez
Antoinette Wright
Lawren McConnell

Report of Independent Auditors

To the Board of Directors
Albuquerque Public Schools Foundation
Albuquerque, New Mexico and
Mr. Brian S. Colón, 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, 2019, and the related statements of activities and changes in net assets, functional expenses, 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, 2019, 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 October 1, 2019, 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.

Emphasis of Matter

As Described in Note 2 of the financial statements, the entity adopted ASU 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to the matter.

Mess Adams LLP

Albuquerque, New Mexico
October 1, 2019

Albuquerque Public Schools Foundation
(A Component Unit of Albuquerque Public Schools)
Statement of Financial Position
June 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,249,936
Investments	2,523,228
Certificates of deposit	249,131
Prepaid expenses	4,387
Total current assets	<u>6,026,682</u>

NON-CURRENT ASSETS

Beneficial interest in remainder trust	<u>2,273,646</u>
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Total assets	<u><u>\$ 8,300,328</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 140,186
Deferred revenue	68,700
Total current liabilities	<u>208,886</u>

NET ASSETS

Without donor restriction	2,747,110
With donor restriction	5,344,332
Total net assets	<u>8,091,442</u>

Total liabilities and net assets	<u><u>\$ 8,300,328</u></u>
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Albuquerque Public Schools Foundation
(A Component Unit of Albuquerque Public Schools)
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND PUBLIC SUPPORT			
Donations and pledges	\$ 142,883	\$ 928,590	\$ 1,071,473
In-kind contributions	480,455	-	480,455
Special events	214,066	-	214,066
Contributions	179,874	-	179,874
Investment income, net of \$21,188 in fees	114,521	69,105	183,626
Change in value of beneficial interest in remainder trust	-	24,004	24,004
Other	111,547	-	111,547
Total revenues, gains, and public support	1,243,346	1,021,699	2,265,045
Net assets released from restrictions			
Expiration of time and purpose restrictions	1,183,517	(1,183,517)	-
EXPENSES			
Program services	1,668,306	-	1,668,306
Fundraising	158,222	-	158,222
Management and general	368,098	-	368,098
Total expenses	2,194,626	-	2,194,626
CHANGES IN NET ASSETS	232,237	(161,818)	70,419
Net assets, beginning of year	2,514,873	5,506,150	8,021,023
Net assets, end of year	\$ 2,747,110	\$ 5,344,332	\$ 8,091,442

Albuquerque Public Schools Foundation
(A Component Unit of Albuquerque Public Schools)
Statement of Functional Expenses
Year Ended June 30, 2019

	Program	Support Services		Total Support	Total
		Fundraising	Administrative		
Grants	\$ 1,607,267	\$ -	\$ -	\$ -	\$ 1,607,267
Salaries and Wages	53,188	53,347	267,763	321,110	374,298
Professional Services	-	-	62,809	62,809	62,809
Advertising	-	-	11,257	11,257	11,257
Office Expense	-	-	13,640	13,640	13,640
Board Expense	7,851	-	-	-	7,851
Supplies	-	-	5,852	5,852	5,852
Conference and Training	-	-	6,777	6,777	6,777
Event Expense	-	104,875	-	104,875	104,875
	<u>-</u>	<u>104,875</u>	<u>-</u>	<u>104,875</u>	<u>104,875</u>
Total Expenses	<u>\$ 1,668,306</u>	<u>\$ 158,222</u>	<u>\$ 368,098</u>	<u>\$ 526,320</u>	<u>\$ 2,194,626</u>

Albuquerque Public Schools Foundation
(A Component Unit of Albuquerque Public Schools)
Statement of Cash Flows
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 70,419
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Change in value of beneficial interest in remainder trust	(24,004)
Net realized and unrealized loss on investments	51,873
Effects of changes in operating assets and liabilities	
Pledge receivable	8,500
Accrued interest and prepaid expenses	(1,481)
Accounts payable	59,366
Deferred revenue	29,700
Net cash provided by operating activities	<u>194,373</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments and certificates of deposit	524,730
Purchase of investments	<u>(658,845)</u>
Net cash used by investing activities	<u>(134,115)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	
	60,258
 CASH AND CASH EQUIVALENTS, beginning of year	
	<u>3,189,678</u>
 CASH AND CASH EQUIVALENTS, end of year	
	<u><u>\$ 3,249,936</u></u>
 NONCASH ACTIVITIES	
Administrative support provided by Albuquerque Public Schools	<u>\$ 433,984</u>
 Contributed goods and services	 <u>\$ 46,471</u>

Albuquerque Public Schools Foundation

(A Component Unit of Albuquerque Public Schools)

Notes to Financial Statements

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 of 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 APS does not appoint a voting majority to the Foundation's Board, and APS is not able to unilaterally dissolve the Foundation and take possession of the remaining assets.

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 two classes of net assets.

Net Assets without Donor Restrictions – 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

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.

Net Assets with Donor Restrictions – Net assets subject to 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. Other donor restrictions are perpetual in nature where by the donor has stipulated the funds be maintained in perpetuity.

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, 2019.

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

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, 2019.

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, 2019, approximately \$5,813 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, 2019 were approximately \$7,289.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefitted. These costs are solely made up of salaries and wages, which were allocated based on estimates of time and effort.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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 not-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 has adopted for year ended June 30, 2019.

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 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.

In June 2018, the FASB issued Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* – This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The guidance is applicable for transactions where the entity serves as the resource recipient beginning after December 15, 2018 and for transactions in which the entity serves as the resource provider beginning after December 15, 2019. Management is in the process of determining the impact of this pronouncement.

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 October 1, 2019, which is the date of the financial statements were available to be issued.

Albuquerque Public Schools Foundation

(A Component Unit of Albuquerque Public Schools)

Notes to Financial Statements

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

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.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2019:

	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	\$ 659,910	\$ -	\$ -	\$ 659,910
Mutual Funds	1,863,318	-	-	1,863,318
Total Investments	2,523,228	-	-	2,523,228
Beneficial Interest in Remainder Trust	-	-	2,273,646	2,273,646
Total	<u>\$ 2,523,228</u>	<u>\$ -</u>	<u>\$ 2,273,646</u>	<u>\$ 4,796,874</u>

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

Note 4 – Fair Value of Financial Instruments (continued)

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

	Cost	Market Value
	<u> </u>	<u> </u>
Investments:		
Fixed Income	\$ 644,153	\$ 659,910
Mutual Funds	1,708,796	1,863,318
Total	<u>\$ 2,352,949</u>	<u>\$ 2,523,228</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, 2019:

Beginning Balance	\$ 2,249,642
Distributions	(137,720)
Dividend Income	88,857
Net Unrealized Gain	69,122
Investment Management Fees	(20,259)
Change in Present Value Discount	<u>24,004</u>
Ending Balance	<u>\$ 2,273,646</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, 2019. The 2019 changes in present and fair values are reflected in the Foundation's statement of activities and changes in net assets.

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, 2019, the Trust distributed approximately \$137,720 to the Foundation. The present value of the Trust increased by approximately \$24,004 for the fiscal year ended June 30, 2018. This resulted in the recording of a beneficial interest in the Trust in the amount of \$2,273,646 for the year ended June 30, 2019 (Note 4).

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

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, 2019, the Foundation received in-kind contributions from the District with a market value of approximately \$433,984. The contributions included employee services and donated supplies and materials.

The Foundation has no employees of its own. During the year ended June 30, 2019, all Foundation staff members were employees of the District.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2019:

	Restricted by Purpose or Time	Restricted in Perpetuity	Total
Purpose:			
Dolde Trust	\$ -	\$ 2,273,646	\$ 2,273,646
APS Programs	1,434,741	-	1,434,741
Nursing Services - Vision Care	905,891	-	905,891
Literacy Programs	252,874	-	252,874
District Seeds of Learning Program	-	155,188	155,188
Chief Operations Office	118,228	-	118,228
Fine Arts	55,649	-	55,649
Marketing Expenses and Teacher Awards	24,760	-	24,760
Community Rewards	643	-	643
Communication Department	9,540	-	9,540
Teacher Professional Development	3,501	-	3,501
Other	109,671	-	109,671
Total	<u>\$ 2,915,498</u>	<u>\$ 2,428,834</u>	<u>\$ 5,344,332</u>

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

Note 7 – Net Assets with Donor Restrictions (continued)

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

Purpose:		
APS Programs	\$	897,800
Fine Arts		44,212
Literacy Programs		94,174
Marketing Expenses and Teacher Awards		20,412
Community Rewards		19,734
Communications		2,111
Chief Operations Office		55,823
Teacher Professional Development		6,989
Other		42,262
Total	\$	<u>1,183,517</u>

Note 8 – 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, 2019, the checking account balance over FDIC is \$2,983,426. The Foundation has not experienced, and its management believes it is not exposed to, significant credit risk from excess deposits.

Note 9 – Liquidity and Availability of Resources

The Foundation strives to maintain 150 days of normal operating expenses, which are, on average, approximately \$700,000. The organization has an informal no debt policy and invests cash in excess of daily requirements in various cash equivalents to generate unrestricted investment income for additional reserves. As of June 30, 2019, financial assets available for general expenditure within one year of the statement of financial position date comprised of the following:

Financial Assets		
Cash and cash equivalents	\$	3,249,936
Investments		2,523,228
Certificates of deposit		249,131
Beneficial interest in remainder trust distribution		108,450
Less: Financial Assets With Donor Restriction		<u>(3,070,688)</u>
Financial Assets Available Within One Year to Meet		
Cash Needs for General Expenditures Within One Year	\$	<u>3,060,057</u>

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

Note 9 – Liquidity and Availability of Resources (continued)

In addition to financial assets available to meet general expenditures within one year, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by resources with donor restriction. Refer to the statement of cash flows which identifies the sources and uses of cash and shows positive cash general by operations during the fiscal year.

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. Brian S. Colón, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Albuquerque Public Schools Foundation (the "Foundation"), a component unit of APS, which comprise the statement of financial position as of June 30, 2019, 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 1, 2019.

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
October 1, 2019

Albuquerque Public Schools Foundation
(A Component Unit of Albuquerque Public Schools)
Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L(1) f)

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes

No

Yes

None reported

Compliance and other matters noted?

Yes

No

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

No matters were reported.

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

No prior year matters reported.

Albuquerque Public Schools Foundation
(A Component Unit of Albuquerque Public Schools)
Exit Conference
Year Ended June 30, 2019

An exit conference was held with the Foundation on October 1, 2019. In attendance were:

Albuquerque Public Schools Foundation

Heather Johnson, President
Joe Trimble, Vice President/Interim Treasurer and Finance Chair
Mark Burkhard, Finance Committee
Jeff Cain, Finance Committee
Shannon Barnhill, Executive Director
Larrie Howe, Executive Administrative Assistant
Lawren McConnell, Development Manager
Antoinette Wright, Grant Writer & Manager

Moss Adams LLP

Sheila Herrera, CPA, Senior Manager Moss Adams LLP

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.