

ATC FOUNDATION
(A COMPONENT UNIT OF THE SANTA FE PUBLIC SCHOOLS)

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2009,
With Comparative Totals for 2008**

HINKLE & LANDERS PC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**ATC FOUNDATION
INDEPENDENT AUDITORS' REPORT AND
AUDITED FINANCIAL STATEMENTS**

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**ATC FOUNDATION
INDEPENDENT AUDITORS' REPORT AND
AUDITED FINANCIAL STATEMENTS**

**OFFICIAL ROSTER
AS OF DECEMBER 31, 2009**

Patricia Joseph President/Director
Steve Rogers Secretary/Director
Janet Sones..... Treasurer/Director
Edward Woodd Principal of ATC School/Director
Charles F. Hammer Director (ex-officio, Rep. of ATC Governing Council)
Dotti Graviet Member
Isaac Pino Member
Vahid Mojarrab Member
Karla Roybal Member
Eric Garcia Member
Lee Pittard Member

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ATC Foundation
Santa Fe, NM

We have audited the accompanying statement of financial position of the Academy of Technology and the Classics Foundation (ATCF) (a nonprofit organization) as of December 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the ATC Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the ATC Foundation's December 31, 2008 audited financial statements and in our report dated January 13, 2010 we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ATCF as of December 31, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2010 on our consideration of ATCF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year then ended. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Hinkle & Landers, P.C.
June 21, 2010

ACADEMY OF TECHNOLOGY AND THE CLASSICS FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 WITH COMPARATIVE TOTALS FOR 2008

ASSETS	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Current assets			
Cash and cash equivalents	3	\$ 69,856	54,096
Restricted cash and cash equivalents	3	835,485	831,220
Total cash and cash equivalents		<u>905,341</u>	<u>885,316</u>
 Prepaid expenses		 <u>33</u>	 <u>5,980</u>
Total current assets		905,374	891,296
 Property and equipment			
Property and equipment, net	4	5,978,445	6,098,554
 Other assets			
Bond issuance costs	5	94,263	99,541
Total assets		<u>\$ 6,978,082</u>	<u>7,089,391</u>
 LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$ 270	86
Accrued interest payable	7	200,632	203,406
Bond payable (current portion)	7	90,000	80,000
Total current liabilities		<u>290,902</u>	<u>283,492</u>
 Long-term liabilities			
Bond payable	7	6,540,000	6,630,000
Total liabilities		<u>6,830,902</u>	<u>6,913,492</u>
 Net assets			
Unrestricted:			
Investment in property and equipment, less land		(1,102,555)	(1,062,446)
Undesignated		271,747	260,357
Total unrestricted		<u>(830,808)</u>	<u>(802,089)</u>
Temporarily restricted			
Debt service		526,988	526,988
Permanently restricted			
Investment in land		451,000	451,000
Total net assets		<u>147,180</u>	<u>175,899</u>
Total liabilities and net assets		<u>\$ 6,978,082</u>	<u>7,089,391</u>

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

ACADEMY OF TECHNOLOGY AND THE CLASSICS FOUNDATION
STATEMENT OF ACTIVITIES
DECEMBER 31, 2009 WITH COMPARATIVE TOTALS FOR 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Revenues and support					
Building Rent	\$ 550,474	-	-	550,474	549,234
Contributions	31,818	-	-	31,818	11,350
Interest/dividend income	204	-	-	204	11,042
Total support	<u>582,496</u>	<u>-</u>	<u>-</u>	<u>582,496</u>	<u>571,626</u>
Expenses					
Program expenses	588,858	-	-	588,858	594,344
General and administrative expenses	22,357	-	-	22,357	25,120
Total expenses	<u>611,215</u>	<u>-</u>	<u>-</u>	<u>611,215</u>	<u>619,464</u>
Change in net assets	(28,719)	-	-	(28,719)	(47,838)
Net assets, beginning of year	<u>(802,089)</u>	<u>526,988</u>	<u>451,000</u>	<u>175,899</u>	<u>223,737</u>
Net assets, end of year	<u>\$ (830,808)</u>	<u>526,988</u>	<u>451,000</u>	<u>147,180</u>	<u>175,899</u>

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

**ACADEMY OF TECHNOLOGY AND THE CLASSICS FOUNDATION
STATEMENT OF CASH FLOWS
DECEMBER 31, 2009 WITH COMPARATIVE TOTALS FOR 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Rent	\$ 550,474	549,234
Contributions	31,818	11,350
Interest/dividend income	204	11,042
Total cash received	582,496	571,626
Less cash paid to:		
Interest paid	(439,900)	(443,864)
Employees and suppliers	(16,226)	(29,728)
Total cash paid	(456,126)	(473,592)
Net cash provided/(used) by operating activities	126,370	98,034
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(26,345)	(14,916)
Net cash provided (used) by investing activities	(26,345)	(14,916)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bond payable	(80,000)	(25,000)
Net cash provided (used) by financing activities	(80,000)	(25,000)
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	20,025	58,118
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	885,316	827,198
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 905,341	885,316
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (28,719)	(47,838)
Depreciation expense	146,454	146,069
(Increase)/decrease in prepaid expenses	5,947	(4,694)
(Increase)/decrease in amortized bond issuance cost	5,278	5,278
Increase/(decrease) in accounts payable	184	86
Increase/(decrease) in interest payable	(2,774)	(867)
NET CASH PROVIDED BY OPERATION ACTIVITIES	\$ 126,370	98,034

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

ACADEMY OF TECHNOLOGY AND THE CLASSICS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2009 WITH COMPARATIVE TOTALS FOR 2008

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2009 Total</u>	<u>2008 Total</u>
Bond issuance costs	\$ 5,278	-	-	5,278	5,278
Property and liability insurance	-	6,557	-	6,557	9,630
Accounting expense	-	10,647	-	10,647	10,743
Trustees	-	2,669	-	2,669	2,672
Consulting	-	-	-	-	1,950
Travel	-	964	-	964	-
Contract labor	-	374	-	374	-
License and permits	-	360	-	360	-
Postage and delivery	-	286	-	286	-
Office supplies	-	-	-	-	105
Dues and subscriptions	-	-	-	-	20
Maintenance and repairs	-	500	-	500	-
Interest expense	437,126	-	-	437,126	442,997
Total expenses before depreciation	<u>442,404</u>	<u>22,357</u>	<u>-</u>	<u>464,761</u>	473,395
Depreciation	<u>146,454</u>	<u>-</u>	<u>-</u>	<u>146,454</u>	146,069
Total expenses	<u><u>\$ 588,858</u></u>	<u><u>22,357</u></u>	<u><u>-</u></u>	<u><u>611,215</u></u>	<u><u>619,464</u></u>

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statement

**ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – NATURE OF OPERATIONS

Organization

ATC Foundation (ATCF) is a non-profit organization that operates for the exclusive benefit of the New Mexico Charter school “The Academy of Technology and the Classics (ATC),” its students, and its staff, to provide education and related services and other charitable functions. The current focus of the Foundation is the development of various fundraising endeavors that are still in the planning stages. Revenues are obtained primarily through contributions and through building lease payments made by ATC to the Foundation. Approximately 95% of the Foundation’s revenues came from building lease payments.

For accounting presentation purposes, ATCF is reported in the financial statements of the Santa Fe Public Schools (SFPS) as a component unit in accordance with the requirements of Governmental Accounting Standards Board Pronouncement No. 39, Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14.

The accompanying financial statements present only the financial position, results of operations and cash flows of the ATCF and are not intended to present fairly the financial position of the SFPS and results of its operations and cash flows of its proprietary fund types. ATCF does not have a legally adopted budget and therefore does not present budgets in its financial statements. ATCF has no component units or operating affiliates and associates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation’s significant accounting policies are as follows:

Basis of Accounting

ATCF’s financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Foundation follows the accounting standards issued under the Financial Accounting Standards Board (FASB) as opposed to the standards issued under the Governmental Accounting Standards Board (GASB). ATCF does not meet any of the following three criteria in its relationship with the SFPS that would require the Foundation to be considered a government for accounting purposes:

- There is no popular election of officers or appointment (or approval) of a controlling majority of the members of the ATCF’s governing body by officials of one or more state or local governments.
- There is no potential for unilateral dissolution by the SFPS with the net assets of ATCF reverting to the SFPS.
- The Foundation does not have the ability to enforce and enact a tax levy.

Financial Statement Presentation

ATC Foundation follows Statement of Financial Accounting Standards (SFAS) 117, "Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, ATCF is required to report

ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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.

Unrestricted Net Assets

Undesignated unrestricted net assets are used to account for all resources over which the Board of Directors has discretionary control.

Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions and other inflows of assets whose use by ATCF is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of ATCF pursuant to those stipulations. As of December 31, 2009, ATCF had \$526,988 in temporarily restricted net assets related to Debt Service requirements.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions and other inflows of assets whose use by ATCF is limited by donor-imposed stipulations that cannot be removed by actions of ATCF. As of December 31, 2009, ATCF had \$451,000 in permanently restricted net assets in the form of a restricted-use land donation.

Use of Estimates

Preparing financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

Restricted Cash and Cash Equivalents

ATCF maintains certain investment accounts restricted for use only as directed by a corresponding Bond Indenture. As of December 31, 2009, these accounts totaled \$835,485. Note 3 provides a listing of the accounts and their individual balances, while Note 4 describes any restrictions.

Investments

ATCF reports its investment accounts at fair value. As of December 31, 2009, all investment accounts held by ATCF consisted of varying money market and cash management funds that are highly liquid and readily converted to cash.

ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Property and Equipment

A donation of 10.49 acres of land was made by Rancho Viejo Limited Partnership to ATCF for the restricted purpose of building a Charter School. A special warranty deed was conveyed from ATCF to Santa Fe County, New Mexico and will be deeded back to ATCF upon maturity and payment of the associated bonds.

Acquisitions of property and equipment are capitalized at cost, or if donated, at the approximate fair market value at the date of donation. ACTF capitalizes all expenditures over \$500 for property and equipment that benefit future periods. Depreciation and amortization is calculated principally on the straight-line basis over the following estimated useful lives of the assets.

	Depreciable Lives
Building	40 years
Land Improvements	40 years

The Foundation accounts for long-lived assets in accordance with the provisions of SFAS NO. 144, *Accounting for the Impairment of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount of the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2009.

Income Taxes Status

ATCF qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Internal Revenue Service has classified the Organization as other than a private foundation.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of FASB Statement 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the Foundation is exempt from income taxes or not subject to income taxes on unrelated business income. The Foundation adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2009. An analysis of the Foundation's tax positions performed by management during the year ended December 31, 2009 revealed there were no positions that met the requirements for disclosure as identified by FIN 48. There was no material impact on the Foundation's financial statements as a result of the adopting of this standard.

ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of December 31:

<u>Cash Accounts</u>	<u>2009</u>	<u>2008</u>
Los Alamos National Bank Checking	\$ 28,933	13,270
Los Alamos National Bank Savings	40,923	40,826
Total cash accounts	<u>\$ 69,856</u>	<u>54,096</u>

<u>Highly Liquid</u>	<u>Current</u>	<u>12/31/09</u>		<u>12/31/08</u>	
<u>Investment Accounts</u>	<u>Yield</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Bond Fund	0.01%	\$ 308,466	308,466	301,462	301,462
Reserve Fund- see below	0.01%	527,019	527,019	529,758	529,758
Total		<u>\$ 835,485</u>	<u>835,485</u>	<u>831,220</u>	<u>831,220</u>

All of ATCF's investment accounts are held in trust by the Bank of Albuquerque. A summary of the accounts and any associated restrictions and minimum balances follows:

<u>Investment Accounts</u>	<u>Purpose/Restriction</u>	<u>Minimum Balance</u>
Reserve Fund	Debt service reserve	\$ 526,988
Santa Fe County - Bond Fund	Payment of debt service	-

NOTE 4 – PROPERTY/EQUIPMENT AND DEPRECIATION

Property and equipment consist of the following at December 31:

<u>Fixed Asset Category</u>	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>
Building	\$ 5,796,487	-	-	<u>5,796,487</u>
Land improvements	45,646	26,345	-	<u>71,991</u>
Total depreciable assets	5,842,133	26,345	-	<u>5,868,478</u>
Less accumulated depreciation	(194,579)	(146,454)	-	<u>(341,033)</u>
Depreciable assets (net)	5,647,554	(120,109)	-	<u>5,527,445</u>
Land	451,000	-	-	<u>451,000</u>
Total non-depreciable assets	451,000	-	-	<u>451,000</u>
Total fixed assets (net)	<u>\$ 6,098,554</u>	<u>(120,109)</u>	<u>-</u>	<u>5,978,445</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$146,454 and \$146,069, respectively.

**ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 – OTHER ASSETS

Other assets consist of capitalized bond issuance costs related to the issuing of bonds for the construction of the school building for ATC’s use. The costs will be amortized over the life of the bonds using the straight line method as follows:

<u>Bond</u>	<u>Amount at December 31, 2008</u>	<u>Amount Amortized</u>	<u>Amount at December 31, 2009</u>
2006A tax-exempt term bond, due Jan 15, 2026	\$ 36,660	(2,151)	34,509
2006A tax-exempt term bond, due Jan 15, 2036	62,013	(2,293)	59,720
2006B tax-exempt term bond, due Jan 15, 2010	868	(834)	34
Total	\$ <u>99,541</u>	<u>(5,278)</u>	<u>94,263</u>

NOTE 6 – CONCENTRATION OF CREDIT RISK

ATCF maintains its cash balances in one financial institution located in Santa Fe, New Mexico. The cash balances are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At December 31, 2009, ATCF’s cash balances were fully insured.

ATCF maintains its bond-related funds in trust accounts with the Bank of Albuquerque. The amounts in these accounts are protected by the Securities Investors Protection Corporation (SIPC), a non-government entity, up to \$500,000 for each account. The total unprotected amount on account as of December 31, 2009 and 2008 was \$27,019 and \$29,753, respectively.

NOTE 7 – BONDS PAYABLE

ATCF issued Industrial Revenue Bonds consisting of Series 2006A Tax-Exempt and 2006B Taxable Non-rated, 30 year maturity bonds on January 15, 2006 with rates at 6.50%, 6.625%, and 7.55% determined by maturity date. The bonds are secured by a first mortgage on the property and improvements owned by ATCF, which amounts to \$6,630,000 and \$6,710,000 as of December 31, 2009 and 2008, respectively. The terms of the bonds are as follows:

<u>Bond Description</u>	<u>Par Amount</u>	<u>Final Maturity</u>	<u>Average Coupon</u>
2006A tax-exempt term bond 2026	\$ 2,515,000	1/15/2026	6.50%
2006A tax-exempt term bond 2036	4,030,000	1/15/2036	6.63%
2006B taxable term bond	85,000	1/15/2010	7.55%
	\$ <u>6,630,000</u>		

Interest on the bonds is paid semi-annually on January 15 and July 15. Interest expense related to the bonds for the year ended December 31, 2009 and 2008 was \$437,126 and \$442,997, respectively.

The total amount of accrued interest payable for the year ended December 31, 2009 and 2008 is \$200,632 and \$203,406, respectively.

ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

ATCF is required by the terms of the bond indenture to make periodic deposits into the Bond Fund that will be sufficient to pay, when due on each principal and interest payment date, the principal and interest on the bonds.

Scheduled bond principal and interest payments for the next five years and beyond are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal, Due Jan 15</u>	<u>Total</u>
2010	\$ 430,418	90,000	520,418
2011	424,219	95,000	519,219
2012	417,733	100,000	517,733
2013	410,921	105,000	515,921
2014	403,473	115,000	518,473
Remaining years	5,550,536	6,125,000	11,675,536
	<u>\$ 7,637,300</u>	<u>6,630,000</u>	<u>14,267,300</u>
Less current payable		90,000	
Non-current payable		<u>\$ 6,540,000</u>	

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, ATCF received \$550,474 in lease payments from the Academy of Technology and the Classics, a related party. ATCF owns a building that has been leased under the terms of an operating lease to ATC for the operation of the charter school. The cost of the building and related land under operating leases was \$6,319,478 and \$6,293,133 at December 31, 2009 and 2008, respectively, and comprises all of the reported building, land and land improvements reported in the accompanying statement of financial position. Accumulated depreciation on property under operating leases was \$341,033 and \$194,579 at December 31, 2009 and 2008, respectively. The lease term is for one year with an option to renew the lease for an additional year for each of the next 27 years. Future rentals receivable under the current term ending June 30, 2010 total \$262,714.

NOTE 9 – SUMMARY OF FAIR VALUE EXPOSURE

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, in order to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. SFAS No. 157 also expands disclosures about fair value measurements. SFAS No. 157 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. SFAS No. 157 was originally effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years with early adoption permitted.

ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

In early 2008, the FASB issued Staff Position (FSP) FAS-157-2, Effective Date of FASB Statement No. 157, which delays by one year, the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay pertains to items including, but not limited to, non-financial assets and non-financial liabilities initially measured at fair value in a business combination, non-financial assets (such as real estate or donations in kind) recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

The Foundation adopted SFAS No. 157 as of November 1, 2008 for financial assets and liabilities subject to fair value measurement on a recurring basis. There was no material impact on The Foundation's financial statements as a result of the adopting of this standard. The Foundation is still assessing the impact of the SFAS No. 157 on their nonfinancial assets.

SFAS No. 157 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS No. 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers of brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

As of December 31, 2009, the Foundation did not have any assets and/or liabilities subject to fair value measurement on a recurring basis.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that

**ATC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Foundation has evaluated subsequent events through June 21, 2010, which is the date the financial statements were available to be issued.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Management and Board of Directors
ATC Foundation and
Mr. Hector Balderas
New Mexico State Auditor

We have audited the financial statements of the Academy of Technology and the Classics Foundation (ATCF), a component unit of the Santa Fe Public Schools (SFPS), as of and for the year ended December 31, 2009, and have issued our report thereon dated June 21, 2010. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ATCF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of ATCF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ATCF's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ATCF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of ATCF, management, and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.

June 21, 2010

**ATC FOUNDATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

PRIOR YEAR FINDINGS

STATUS

08-01 AUDIT NOT SUBMITTED TIMELY TO STATE AUDITOR Resolved

CURRENT YEAR FINDINGS

NONE

**ATC FOUNDATION
EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2009**

An exit conference was held on June 21, 2010, with the following in attendance:

For the Academy of Technology and the Classics Foundation:

Janet Sones	Treasurer, Board of Directors
Steve Rogers	Member, Board of Directors

For Hinkle & Landers, PC:

Erick Robinson, CPA	Audit Manager
Maclen Enriquez	Auditor

PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of ATCF have been prepared by Hinkle & Landers, P.C., the Foundation's independent public auditors, however, the financial statements are the responsibility of management.