

**Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2020**

**THREE RIVERS EDUCATION
FOUNDATION, INC.**



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INTRODUCTORY SECTION

THREE RIVERS EDUCATION FOUNDATION, INC.

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THREE RIVERS EDUCATION FOUNDATION, INC.

OFFICIAL ROSTER

DECEMBER 31, 2020

BOARD OF DIRECTORS

Hart Pierce	Board President
Miller Jimmy	Vice President
Donny Ortiz	Secretary/Treasurer
Linda Coy	Chief Executive Officer
Jim Coy	Executive Director/CFO

ADMINISTRATIVE OFFICIALS

Linda Coy	Chief Executive Officer
Jim Coy	Executive Director/CFO

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FINANCIAL SECTION



**Manning Accounting and Consulting
Services, LLC**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Three Rivers Education Foundation, Inc.
Farmington, New Mexico

We have audited the accompanying financial statements of Three Rivers Education Foundation, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, 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. 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 Three Rivers Education Foundation, Inc. as of December 31, 2020, 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 Matters

Other Information

The introductory section on pages 1 and 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2021 on our consideration of Three Rivers Education Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Rivers Education Foundation, Inc.'s internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
August 25, 2021

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FINANCIAL STATEMENTS

THREE RIVERS EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>2020</u>
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 563,605
Grants receivable	337,844
Other receivables	0
Prepaid expenses	<u>26,442</u>
<i>Total current assets</i>	927,891
Property and equipment, net	<u>57,848</u>
<i>Total assets</i>	<u><u>\$ 985,739</u></u>
LIABILITIES AND NET ASSETS	
<i>Current liabilities</i>	
Accounts payable	\$ 21,462
Accrued expenses	<u>10,619</u>
<i>Total current liabilities</i>	<u>32,081</u>
<i>Net assets</i>	
Without donor restrictions	
Undesignated	895,810
Invested in property and equipment, net of related debt	<u>57,848</u>
<i>Total net assets</i>	<u>953,658</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 985,739</u></u>

See accompanying notes to the financial statements.

THREE RIVERS EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

	<u>2020</u>
PUBLIC SUPPORT AND REVENUES	
<i>Support</i>	
Government grants and contracts	\$ 3,517,579
<i>Total support</i>	<u>3,517,579</u>
<i>Revenues</i>	
In-kind revenue	19,950
Miscellaneous revenue	2,721
<i>Total revenues</i>	<u>22,671</u>
<i>Total unrestricted support and revenues</i>	<u>3,540,250</u>
EXPENSES	
Program services	3,270,758
Management and general	276,362
Fundraising	53,835
<i>Total expenses</i>	<u>3,600,955</u>
Change in net assets	(60,705)
Net assets, beginning of year	<u>1,014,363</u>
Net assets, end of year	<u><u>\$ 953,658</u></u>

See accompanying notes to the financial statements.

THREE RIVERS EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL COSTS				
Salaries and wages	\$ 2,276,549	\$ 123,747	\$ 21,377	\$ 2,421,673
Employee benefits	146,970	385		147,355
Payroll taxes	130,603	12,447	3,170	146,220
<i>Total personnel costs</i>	<u>2,554,122</u>	<u>136,579</u>	<u>24,547</u>	<u>2,715,248</u>
OTHER EXPENSES				
Contract and professional fees	404,850	18,768	29,288	452,906
Insurance	-	6,714		6,714
Occupancy expense	89,299	28,749		118,048
Other expenses	41,233	6,149		47,382
Postage and shipping	520	432		952
Printing and copying	193	543		736
Program materials	43,266	-		43,266
Repairs and maintenance	-	2,377		2,377
Supplies	87,780	22,392		110,172
Telephone and communications	17,375	2,332		19,707
Travel and mileage	32,120	7,935		40,055
<i>Total other expenses</i>	<u>716,636</u>	<u>96,391</u>	<u>29,288</u>	<u>842,315</u>
NONCASH EXPENSES				
Rental expense - in-kind		19,950		19,950
Depreciation		23,442		23,442
<i>Total noncash expenses</i>	<u>-</u>	<u>43,392</u>	<u>-</u>	<u>43,392</u>
<i>Total expenses</i>	<u><u>\$ 3,270,758</u></u>	<u><u>\$ 276,362</u></u>	<u><u>\$ 53,835</u></u>	<u><u>\$ 3,600,955</u></u>

See accompanying notes to the financial statements.

THREE RIVERS EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (60,705)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,885
(Increase) decrease in operating assets:	
Grants and contracts receivable	(175,964)
Prepaid expenses	(26,442)
Increase (decrease) in operating liabilities:	
Accounts payable	8,379
Accrued expenses	5,715
Unearned revenue	(16,000)
Net cash provided (used) by operating activities	<u>(259,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(5,019)</u>
Net cash provided (used) by investing activities	<u>(5,019)</u>
Net increase (decrease) in cash and cash equivalents	(264,151)
Cash and cash equivalents, beginning of period	<u>827,756</u>
Cash and cash equivalents, end of period	<u><u>\$ 563,605</u></u>
Supplemental disclosure cash flow information:	
Cash paid for interest	<u><u>\$ -</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION

Purpose of the Organization

Three Rivers Education Foundation, Inc. (the “Foundation”) was founded in 2008 to more effectively carry out the purposes of supporting public, private, charter and Bureau of Indian Education schools in New Mexico. The Foundation maintains a close working relationship with the New Mexico Public Education Department (NMPED), Bureau of Indian Affairs Office of Indian Education Programs, and with the educational institutions of the State through direct communication, consultation, and collaboration with these entities. Purposes include promoting the advancement of education and developing an independent research and development organization focused on the challenges educators in New Mexico face in providing a quality education for all our children. The Foundation’s programs are primarily funded through federal grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Presentation of Financial Statements*. As amended by Accounting standards Update No. 2016-14, 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* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restriction, net assets for an operating reserve or other board designated operations. All of the Foundation’s net assets are classified as net assets without donor restrictions.
- *Net Assets with Donor Restrictions* – Net assets subject to donor– (or certain grantor–) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource with restrictions has been fulfilled, or both. The Foundation has no net assets with donor restrictions.

2. **ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Cash

For purposes of the statement of cash flows, the Foundation considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Grants Receivable

Receivables at year-end consist of amounts due from grantors of federal grants. Revenues are recorded in the accounting records on the date the costs and expenses subject to reimbursements are paid or accrued. The Foundation has no allowance for bad debts as management considers all accounts receivable to be collectible.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, receivables and liabilities approximate fair value because of the short maturities of these instruments.

Property and Equipment

Purchased property and equipment is recorded at cost. Donated property is recorded at the estimated fair value at the time of donation. Assets are capitalized that have a useful life in excess of two years and cost in excess of \$1,000. Maintenance, repairs and renewals, which neither materially add to the value nor appreciably prolong its life, are expensed. Depreciation on furniture, fixtures and equipment is calculated on the straight-line method over the estimated useful lives of the assets, ranging from three to five years.

Public Support and Revenues

All contributions and grants are considered to be without donor restrictions unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as reclassification of net assets.

Contributed Services and Materials

The Foundation recognizes contributed services if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services and donated materials are recorded at the fair value of the services on the date of donation.

2. **ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(Continued)**

Functional Allocation of Expenses

The costs of providing services for various programs and supporting services have been allocated to functions in the statement of functional expenses based on relative costs in each program or project. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2020. The Foundation's tax returns by statute, may be subject to normal federal and state examinations up to three years from date of filing.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Pronouncements

FASB has issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2021. Early application is permitted; however, the Foundation has not yet adopted Topic 842.

3. **CONCENTRATIONS**

Concentration of Credit Risk

The Foundation maintains its cash in a financial institution that management deems to be creditworthy. The balance at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000. At December 31, 2020, the balance exceeded the insured limit by \$377,909. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

Funding Source

Approximately 99% of the Foundation's funding is provided by federal grants administered through the U.S. Department of Education.

4. **GRANTS RECEIVABLE**

Grants receivable of \$337,844 consisted of amounts due from the federal government under reimbursement-type grants for which reimbursable expenditures were incurred by December 31, 2020 but reimbursement was not yet received. All amounts due from the federal government are considered to be fully collectible, and thus no allowance for uncollectible accounts has been recorded in the Foundation's financial statements.

5. **PREPAID EXPENSES**

Prepaid expenses consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>
Prepaid insurance	\$ 6,642
Rent	<u>19,800</u>
Total	<u>\$ 26,442</u>

Prepaid expenses consist of expenses paid before the year-end which will benefit the future year. Prepaid insurance coverage includes general liability and auto coverage. The prepaid rent includes amounts paid on the Elephant Butte office.

6. **PROPERTY AND EQUIPMENT**

Equipment consists of the following at December 31, 2020:

	<u>2020</u>
Office equipment	\$ 5,583
Vehicles	127,375
Accumulated depreciation	<u>(75,110)</u>
Total	<u>\$ 57,848</u>

Depreciation expense for the year ended December 31, 2020 was \$23,442.

7. CONTINGENCIES AND UNCERTAINTIES

The Foundation receives financial assistance from federal and state sources in the form of grants and contracts. The disbursements of the funds received are generally limited to specific compliance requirements as specified in the grant or contract agreement. The federal and state agencies reserve the right to review the scope of the audit and conduct a follow-up review if deemed necessary. Any disallowed claims resulting from such audits could become a liability of Three Rivers Education Foundation, Inc. The Foundation, however, believes that liabilities resulting from disallowed claims, if any, will not have a material effect on the financial position.

8. RELATED PARTY TRANSACTIONS

The Foundation paid members of management a stipend for home office space. Amounts paid to related parties for these purposes totaled \$21,000 in the year ended December 31, 2020. Subsequent to year-end, those members of management have chosen to not charge the Foundation further amounts for home office space.

9. CONTRIBUTED SERVICES

The Foundation received donated services by means of discounted rent on their office space in the amount of \$19,950 during the year ended December 31, 2020.

10. OPERATING LEASES

The Foundation leases office space in Farmington, New Mexico and Elephant Butte, New Mexico as part of its operations.

The Farmington lease was a one-year lease beginning January 1, 2020 and includes three one-year options with a 2% escalation in base monthly rent each year. The Foundation's intent is to exercise the option on each year available through December 31, 2023. Rent expense under this lease totaled \$57,750 for the year ended December 31, 2020 and is included in occupancy expense on the accompanying statement of functional expenses. Of that amount \$19,950 is received as a charitable donation from the landlord to the Foundation.

Beginning July 1, 2020, the Foundation also leased office space in Elephant Butte, New Mexico. This is a 2-year lease at \$1,200 per month which was all paid in advance. Rent expense under this lease totaled \$6,600 for the year ended December 31, 2020 and is included in occupancy expense on the accompanying statement of functional expenses. Prepaid rent is carried in the amount of \$19,800 on this property at year-end.

10. OPERATING LEASES (Continued)

Future obligations under these lease agreements are as follow:

<u>Fiscal Year Ending December 31,</u>	<u>Farmington Lease</u>	<u>Elephant Butte Lease</u>	<u>Total</u>
2021	\$ 58,905	\$ 14,400	\$ 73,305
2022	60,083	7,200	67,283
2023	61,285	-	61,285
	<u>\$ 180,273</u>	<u>\$ 21,600</u>	<u>\$ 201,873</u>

11. LIQUIDITY AND AVAILABILITY

The Foundation has \$901,449 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$563,605, grants receivable of \$337,844, and other short-term receivables of \$-. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. As part of their liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

12. EVALUATION OF SUBSEQUENT EVENTS

Three Rivers Education Foundation, Inc. has evaluated subsequent events through August 25, 2021, the date which the financial statements were available to be issued. The Foundation has determined that the following subsequent event requires disclosure.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States and around the world. As of August 25, 2021, the Foundation is aware that changes in its business as a result of COVID-19 could occur, but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, we are unable to estimate the potential impact on their business as of the date of issuance.

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COMPLIANCE SECTION



**Manning Accounting and Consulting
Services, LLC**

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

To the Board of Directors of
Three Rivers Education Foundation, Inc.
Farmington, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Three Rivers Education Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 Three Rivers Education Foundation, Inc.'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 financial statements. 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 Law Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
August 25, 2021



Manning Accounting and Consulting Services, LLC

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Three Rivers Education Foundation, Inc.
Farmington, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Three Rivers Education Foundation, Inc. (the "Foundation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2020. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The Foundation's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

The Foundation's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
August 25, 2021

**THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>Other Programs</i>			
Department of Education			
Migrant Education High School Equivalency Program		Borderland High School Equivalency Program--	
Migrant Education High School Equivalency Program	84.141A	S141A150015	\$ 485,293
Migrant Education High School Equivalency Program	84.141A	Maricopa High School Equivalency Program--	
Migrant Education High School Equivalency Program	84.141A	S141A190014	325,426
Migrant Education High School Equivalency Program	84.141A	Borderland High School Equivalency Program - 2--	
Migrant Education High School Equivalency Program	84.141A	S141A200003	102,188
Total Migrant Education High School Equivalency Program			<u>912,907</u>
Teacher Quality Partnership Grants			
Teacher Quality Partnership Grants	84.336S	Teacher Quality Partnership - Southwest--S336S200025	94,271
Teacher Quality Partnership Grants	84.336S	Teacher Quality Partnership - New Mexico--U336S180013	1,145,138
Teacher Quality Partnership Grants	84.336S	Teacher Quality Partnership - Texas--U336S190003	1,225,159
Total Teacher Quality Partnership Grants			<u>2,464,568</u>
<i>Total Department of Education</i>			<u>3,377,475</u>
<i>Total Other Programs</i>			<u>3,394,539</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 3,394,539</u></u>

See accompanying notes to the financial statements.

THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Basis of Presentation

The accompanying schedule of federal awards ("Schedule") includes the federal award activity of Three Rivers Education Foundation under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only the federally funded portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Three Rivers Education Foundation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

Note 3 - De Minimis Indirect Cost Rate

The Foundation has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Non-cash Federal Assistance

The Foundation did not receive any non-cash federal assistance.

Note 5 - Subrecipients

The foundation does not pass through any funding to subrecipients.

Note 6 - Insurance

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value and is covered by the Foundation's casualty insurance policies.

Note 7 - Loan or Loan Guarantees

There were no loans or loan guarantees outstanding at year-end.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,394,539
Total expenditures funded by other sources	206,416
Total expenditures	<u>3,600,955</u>

See accompanying notes to the financial statements.

**THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section I – Summary of Audit Results

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Control deficiencies identified not considered to be significant deficiencies? | None noted |

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR-200.516(a)? | Yes |
| 4. Identification of major programs: | |

Federal Assistance
Listing
84.141A
84.336S

Federal Program
Migrant Education High School Equivalency Program
Teacher Quality Partnership Grants

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section II – Financial Statement Findings

None identified

**THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section III – Federal Award Findings

2020-001 Payment of Home Office Costs to Affiliated Individuals (Significant Deficiency and Other Matter)

Federal Program Information:

Funding Agency:	U.S. Department of Education
Title:	Teacher Quality Partnership – New Mexico Teacher Quality Partnership – Texas Migrant Education High School Equivalency Program - Maricopa Migrant Education High School Equivalency Program - Borderland
Federal Assistance Listing:	84.336S, 84.141A
Federal Award Number:	U336S180013 TQP-NM and U336S190003 TQP-TX S141A150015 BHEP and S141A190014 MHEP
Award Year:	October 1, 2019 – September 30, 2020 – TQP Grants October 1, 2020 – September 30, 2021 – TQP Grants July 1, 2019 – June 30, 2020 – MHEP Grants July 1, 2020 – June 30, 2021 – MHEP Grants
Pass Through:	None
Type of Finding:	Allowable Costs/Activity and Reasonable Costs

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal Controls

The non-Federal entity must:

- (a) **Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.** These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) **Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.**
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

**THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section III – Federal Award Findings (Continued)

2020-001 Payment of Home Office Costs to Affiliated Individuals (Significant Deficiency and Other Matter) (Continued)

Section 200.465 Rental Costs of Real Property and Equipment

(a) Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

(b) Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. **This amount would include expenses such as depreciation, maintenance, taxes, and insurance.**

(c) **Rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in paragraph (b) of this section). For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between:**

(1) Divisions of the non-Federal entity;

(2) **The non-Federal entity under common control through common officers, directors, or members; and**

(3) **The non-Federal entity and a director, trustee, officer, or key employee of the non-Federal entity or an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest.** For example, the non-Federal entity may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-Federal entity.

(4) Family members include one party with any of the following relationships to another party:

(i) Spouse, and parents thereof;

(ii) Children, and spouses thereof;

(iii) Parents, and spouses thereof;

(iv) Siblings, and spouses thereof;

(v) Grandparents and grandchildren, and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

(5) Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in paragraph (b) of this section) that would be allowed had the non-Federal entity purchased the property on the date the lease agreement was executed. The provisions of GAAP must be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in § 200.449 Interest. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-Federal entity purchased the property.

(6) **The rental of any property owned by any individuals or entities affiliated with the non-Federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.**

**THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section III – Federal Award Findings (Continued)

2020-001 Payment of Home Office Costs to Affiliated Individuals (Significant Deficiency and Other Matter) (Continued)

Condition: The Foundation has paid into a proprietorship owned by the two Foundation officers, including the project director, for two of the TQP grants for home office space. Total payments to the entity totaled \$21,000 for home office space. Additionally, managers of programs have been paid for using home offices during the year. Those payments totaled \$40,500.

Due to the COVID-19 pandemic, the Foundation had determined to pay managers a stipend for home office space since they were required to work from home during much of the year.

Questioned Costs: \$61,500 – (TQP Grants - \$40,000; MHEP Grants - \$21,500)

Cause: Foundation personnel did not know that they could only pay actual costs for any rental/lease agreements for “less-than-arm’s-length” agreements. Additionally, personnel were not aware that Federal guidelines prohibit the payment for home offices.

Effect: The Foundation has incurred costs which are unallowable.

Auditor’s Recommendation: The Foundation has stopped paying costs to the related-party company owned by the officers and directors which is proper. We would recommend that the related-party company reimburse the Foundation for costs which have been paid out during this current fiscal year so those funds can be returned to the granting agency. We also recommend that the Foundation stop the payments to individuals for their home office space as this is specifically identified as an unallowable cost of Federal grants.

Responsible Official’s View:

- Specific corrective action plan for finding:

We would recommend that the related-party company reimburse the Foundation for costs which have been paid out during this current fiscal year so those funds can be returned to the granting agency. The related proprietorship LJL will reimburse the Foundation for the amount of \$21,000, the amount in question in regards to the officers of the Foundation.

We also recommend that the Foundation stop the payments to individuals for their home office space as this is specifically identified as an unallowable cost of Federal grants. Payments for home space reimbursements to field staff ceased on June 30, 2021.

- Timeline for completion of corrective action plan:

The timeline for the reimbursement of \$21,000 will be as of July 31, 2021.

- Employee position(s) responsible for meeting the timeline:

Chief Executive Officer for Three Rivers Education Foundation

**THREE RIVERS EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section IV – Prior Year Audit Findings

Financial Section Findings

2019-001 Supervision and Review - Resolved

Federal Award Findings

2019-002 Federal Draw Downs in Advance of Expenditures – Resolved

2019-003 Personal Services Charged to Federal Grant – Resolved

2019-004 Compensation for Use of Foundation Equipment – Resolved

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UNAUDITED SUPPLEMENTAL INFORMATION



Three Rivers Education Foundation

Supporting Excellence in Education & Research

2200-B Bloomfield Hwy, Farmington, NM 87401 Phone: 505.436.2548

August 20, 2021

Review of Corrective Action Plan and Response to SECTION II – FINANCIAL STATEMENT FINDINGS for 2019 Financial Audit. Findings were resolved in the 2020 Fiscal Year and were not repeated.

2019-001 – Supervision and Review – Contact is James Coy

Procedures are in place so that the Chief Financial Officer (James Coy) will perform and approve all bank transactions, i.e., ACH payments, transfers, payroll, direct deposits. The Office Manager (Patricia Eaton), will perform monthly bank reconciliations and will be reviewed and approved by the Chief Financial Officer. The Foundation Director (Linda Coy) will perform a final review of bank reconciliations. These new procedures have been in place since March 1, 2020.

Corrective Action Plan and Response to SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-002 – Federal Draw Downs in Advance of Expenditures – Contact is James Coy

The Director and Chief Financial Officer will ensure that all expenses charged to federal grant monies comply with the grant agreement and will obtain written approval from the grantor should deviations from the agreement or federal regulations be necessary for achieving Foundation goals. This procedure has been in place since January 1, 2020.

2019-003 – PERSONAL SERVICES CHARGED TO FEDERAL GRANT – Contact is Linda Coy

The Director will ensure that any expenses charged to federal grant monies are supported by documentation and deemed necessary to the performance of the federal award, and will be approved by the Foundation Board. This procedure has been in place since January 1, 2020.

2019-004 – COMPENSATION FOR USE OF FOUNDATION EQUIPMENT – Contact is James Coy

Presently, 0.535/mile reimbursement does not cover the costs of operating Foundation vehicles. The Foundation will start charging vehicle usage reimbursement at 0.75/mile for cars and 0.90/mile for the truck, with no other charges for Foundation vehicles. This will be effective April 1, 2020. **REVISION:** Using a rate of 0.535/mile for use of company vehicles since January 1, 2021.

Review of Corrective Action Plan and Response to SECTION III – Federal Award Findings for 2020 Financial Audit.

2020-001 – Payment of Home Office Costs to Affiliated Individuals – Contact is James Coy

The related proprietorship LJL has reimbursed the Foundation for the amount of \$21,000 on July 28, 2021 and funds will be returned to the granting agency. The Foundation ceased paying individuals for home office space on July 30, 2021.

Please let us know if you have any questions or require additional information.

Sincerely,

Linda J Coy, Director

James L Coy, CFO