

**Financial Statements and  
Independent Auditor's Report  
For the Year Ended December 31, 2022**

**THREE RIVERS EDUCATION  
FOUNDATION, INC.**



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## **INTRODUCTORY SECTION**

**THREE RIVERS EDUCATION FOUNDATION, INC.**

**Table of Contents**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	1
Official Roster	2
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
<b>COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	16
Report on Compliance for Each Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	18
Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	23

**THREE RIVERS EDUCATION FOUNDATION, INC.**

**OFFICIAL ROSTER**

**DECEMBER 31, 2022**

**BOARD OF DIRECTORS**

Robert McCarty	President
Jarly Lopez	Vice President
Linda Coy	Chief Executive Officer
Jim Coy	Executive Director/CFO
Ken Ferrone	Secretary/Treasurer

**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

### Report on the Audit of the Financial Statements

#### Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Three Rivers Education Foundation, Inc. as of December 31, 2022, 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.

#### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Three Rivers Education Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Three Rivers Education Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Three Rivers Education Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Three Rivers Education Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

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 schedule of expenditures of federal awards 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 September 22, 2023, 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 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 Three Rivers Education Foundation, Inc.'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 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  
September 22, 2023

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## **FINANCIAL STATEMENTS**

**THREE RIVERS EDUCATION FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

	<u>2022</u>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 315,138
Grants receivable	537,137
Prepaid expenses	<u>20,676</u>
<i>Total current assets</i>	872,951
Property and equipment, net	<u>91,743</u>
<i>Total assets</i>	<u><u>\$ 964,694</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<i>Current liabilities</i>	
Accounts payable	\$ 39,181
Accrued expenses	<u>28,929</u>
<i>Total current liabilities</i>	<u>68,110</u>
<i>Net assets</i>	
Without donor restrictions	
Undesignated	804,841
Invested in property and equipment, net of related debt	<u>91,743</u>
<i>Total net assets</i>	<u>896,584</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 964,694</u></u>

See accompanying notes to the financial statements.

**THREE RIVERS EDUCATION FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:**

	<u>2022</u>
<b>PUBLIC SUPPORT AND REVENUES</b>	
<i>Support</i>	
Government grants and contracts	\$ 10,078,159
<i>Total support</i>	<u>10,078,159</u>
<i>Revenues</i>	
Indirect income	606,756
In-kind revenue	18,288
<i>Total revenues</i>	<u>625,044</u>
<i>Total unrestricted support and revenues</i>	<u>10,703,203</u>
<b>EXPENSES</b>	
Program services	10,489,990
Management and general	457,021
Fundraising	29,348
<i>Total expenses</i>	<u>10,976,359</u>
<b>Change in net assets</b>	(273,156)
<b>Net assets, beginning of year</b>	<u>1,169,740</u>
<b>Net assets, end of year</b>	<u><u>\$ 896,584</u></u>

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See accompanying notes to the financial statements.

**THREE RIVERS EDUCATION FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>PERSONNEL COSTS</b>				
Salaries and wages	\$ 3,950,283	176,817	17,133	\$ 4,144,233
Employee benefits	159,322	-	-	159,322
Payroll taxes	249,059	23,311	1,713	274,083
<i>Total personnel costs</i>	<u>4,358,664</u>	<u>200,128</u>	<u>18,846</u>	<u>4,577,638</u>
<b>OTHER EXPENSES</b>				
Contract and professional fees	2,401,665	4,623	10,502	2,416,790
Conferences and meetings	19,842	4,102	-	23,944
Insurance	-	26,052	-	26,052
Indirect expenses	606,756	-	-	606,756
Occupancy expense	74,177	35,896	-	110,073
Professional development	62,309	-	-	62,309
Postage and shipping	2,886	120	-	3,006
Printing and copying	762	179	-	941
Program incentives	2,568,766	-	-	2,568,766
Program materials	50,269	-	-	50,269
Repairs and maintenance	12,301	-	-	12,301
Supplies	185,063	24,595	-	209,658
Telephone and communications	20,731	3,366	-	24,097
Travel and mileage	125,799	108,681	-	234,480
<i>Total other expenses</i>	<u>6,131,326</u>	<u>207,614</u>	<u>10,502</u>	<u>6,349,442</u>
<b>NONCASH EXPENSES</b>				
Rental expense - in-kind	-	18,288	-	18,288
Depreciation	-	30,991	-	30,991
<i>Total noncash expenses</i>	<u>-</u>	<u>49,279</u>	<u>-</u>	<u>49,279</u>
<i>Total expenses</i>	<u>\$ 10,489,990</u>	<u>\$ 457,021</u>	<u>\$ 29,348</u>	<u>\$ 10,976,359</u>

See accompanying notes to the financial statements.

**THREE RIVERS EDUCATION FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (273,156)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	30,991
(Increase) decrease in operating assets:	
Grants and contracts receivable	(105,136)
Prepaid expenses	(2,879)
Increase (decrease) in operating liabilities:	
Accounts payable	(20,977)
Accrued expenses	16,122
Net cash provided (used) by operating activities	<u>(355,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of property and equipment	<u>(51,271)</u>
Net cash provided (used) by investing activities	<u>(51,271)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(406,306)
<b>Cash and cash equivalents, beginning of period</b>	<u>721,444</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 315,138</u></u>
Supplemental disclosure cash flow information:	
Cash paid for interest	<u><u>\$ -</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>

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See accompanying notes to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

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### 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 and Cash Equivalents

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.

Allowance for Doubtful Accounts

It is the opinion of management that contracts receivable are fully collectible and that an allowance for doubtful accounts is not necessary as amounts are written off when uncollectable.

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.

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.

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.

## 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 Foundation and various positions related to the potential sources of unrelated business taxable income (UBTI).

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, 2022. 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

Accounting Standards Update 2020-07—*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. Subtopic 958-605 does not include specific presentation requirements for contributed nonfinancial assets or specific disclosure requirements for contributed nonfinancial assets other than contributed services. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods

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

within annual periods beginning after June 15, 2022. This pronouncement had no effect on the Foundation.

FASB has issued ASU No. 2021-10, *Government Assistance (Topic 832)*. The FASB is issuing this Update to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. Diversity currently exists in the recognition, measurement, presentation, and disclosure of government assistance received by business entities because of the lack of specific authoritative guidance in generally accepted accounting principles (GAAP). Requiring disclosures about government assistance in the notes to financial statements will provide comparable and transparent information to investors and other financial statement users to enable them to understand an entity's financial results and prospects for future cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2021. Early application is permitted; however, the Foundation, as a non-profit entity is not subject to this standard.

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. The Foundation has no leases which exceed twelve months in length past the financial statement date and thus the pronouncement has no effect on the Foundation.

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, 2022, the balance exceeded the insured limit by \$118,661. 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 \$537,136 consisted of amounts due from the federal government under reimbursement-type grants for which reimbursable expenditures were incurred by December 31, 2022 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, 2022:

	<u>2022</u>
Prepaid insurance	\$ 13,476
Rent	<u>7,200</u>
Total	<u><u>\$ 20,676</u></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, 2022:

	Balance			Balance
Capital assets being depreciated	December 31, 2021	Additions	Deletions	December 31, 2022
Office equipment	\$ 5,583	\$ -	\$ -	\$ 5,583
Vehicles	151,975	51,271	-	203,246
Accumulated depreciation	<u>(86,096)</u>	<u>(30,991)</u>	-	<u>(117,087)</u>
Total	<u><u>\$ 71,462</u></u>	<u><u>\$ 20,281</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 91,743</u></u>

Depreciation expense for the year ended December 31, 2022 was \$30,991.

**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. CONTRIBUTED SERVICES**

The Foundation received donated services by means of discounted rent on their office space in the amount of \$18,288 during the year ended December 31, 2022.

**9. 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 twelve-month lease beginning January 1, 2022. Rent expense under this lease totaled \$63,249 for the year ended December 31, 2022 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 \$1,100 per month which was all paid in advance. Rent expense under this lease totaled \$13,200 for the year ended December 31, 2022 and is included in occupancy expense on the accompanying statement of functional expenses. Prepaid rent is carried in the amount of \$7,200 on this property at year-end.

Future obligations under these lease agreements are as follow:

<u>Fiscal Year Ending</u> <u>December 31,</u>	<u>Farmington</u> <u>Lease</u>	<u>Elephant Butte</u> <u>Lease</u>	<u>Total</u>
2022	<u>63,249</u>	<u>7,200</u>	<u>70,449</u>
	<u>\$ 63,249</u>	<u>\$ 7,200</u>	<u>\$ 70,449</u>

**10. LIQUIDITY AND AVAILABILITY**

The Foundation has \$852,274 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$315,138 and grants receivable of \$537,136. 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.

**11. EVALUATION OF SUBSEQUENT EVENTS**

Three Rivers Education Foundation, Inc. has evaluated subsequent events through September 22, 2023, the date which the financial statements were available to be issued. The Foundation has determined that there are no subsequent events which require disclosure.

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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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2023.

**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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on 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 Foundation'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  
September 22, 2023



# Manning Accounting and Consulting Services, LLC

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND 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**

##### **Opinion on Each Major Federal Program**

We have audited Three Rivers Education Foundation, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Three Rivers Education Foundation, Inc.'s major federal programs for the year ended December 31, 2022. Three Rivers Education Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Three Rivers Education Foundation, Inc. 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, 2022.

##### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Three Rivers Education Foundation, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Three Rivers Education Foundation, Inc.'s compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Three Rivers Education Foundation, Inc.'s federal programs.

##### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Three Rivers Education Foundation, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with

generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Three Rivers Education Foundation, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Three Rivers Education Foundation, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Three Rivers Education Foundation, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Three Rivers Education Foundation, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Three Rivers Education Foundation, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Three Rivers Education Foundation, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### ***Report on Internal Control over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Three Rivers Education Foundation, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Three Rivers Education Foundation, Inc.'s response was not subjected to the other 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 the 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  
September 22, 2023

**THREE RIVERS EDUCATION FOUNDATION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<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>
<b>Other Programs</b>			
Department of Education			
Migrant Education High School Equivalency Program		Maricopa High School Equivalency Program--	
Migrant Education High School Equivalency Program	84.141A	S141A190014	652,603
Migrant Education High School Equivalency Program	84.141A	Borderland High School Equivalency Program - 2--	
Migrant Education High School Equivalency Program	84.141A	S141A200003	511,119
Total Migrant Education High School Equivalency Program			<u>1,163,722</u>
Teacher & School Leader Incentive Program	84.374A	Teacher & School Leader Incentive Program - S374A210010	<u>5,386,737</u>
Teacher Quality Partnership Grants			
Teacher Quality Partnership Grants	84.336S	Teacher Quality Partnership - Southwest--S336S200025	1,478,211
Teacher Quality Partnership Grants	84.336S	Teacher Quality Partnership - New Mexico--U336S180013	1,147,988
Teacher Quality Partnership Grants	84.336S	Teacher Quality Partnership - Texas--U336S190003	1,269,666
Teacher Quality Partnership Grants	84.336S	Teacher Quality Partnership - Effective Educators - S336S220006	62,512
Total Teacher Quality Partnership Grants			<u>3,958,377</u>
Total Department of Education			<u>10,508,836</u>
Total Other Programs			<u>10,508,836</u>
Total Expenditures of Federal Awards			<u><u>\$ 10,508,836</u></u>

The Foundation did not pass through any funds to subrecipients during the year.

See accompanying notes to the financial statements.

**THREE RIVERS EDUCATION FOUNDATION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**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, 2022. 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 except for the Teacher & School Leader Incentive Program.

**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	\$ 10,508,836
Total expenditures funded by other sources	467,522
Total expenditures	<u>10,976,358</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, 2022**

**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  
84.374A

Federal Program  
Teacher & School Leader Incentive Program

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | Yes       |



**THREE RIVERS EDUCATION FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Section II – Financial Statement Findings**

None identified

**THREE RIVERS EDUCATION FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Section III – Federal Award Findings**

**2022-001 – Employee Time and Effort Documentation (Significant Deficiency)**

**Federal Program Information:**

Funding Agency: U.S. Department of Education  
Title: Teacher & School Leader Incentive Program  
Assistance Listing: 84.374 A  
Passthrough: N/A  
Award Year: 2022

***Criteria: 2 CFR Chapter I, and Chapter II, Parts 200, 215, 220, 225, and 230 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards***

**§ 200.430 Compensation – personal services**

- (i) Standards for Documentation of Personnel Expenses
  - (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
    - (i) Be supported by a system internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
    - (ii) Be incorporated into the official records of the non-Federal entity;
    - (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensation activities (for IHE, this per the IHE's definition of IBS);
    - (iv) Encompass federally-assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
    - (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and
    - (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity
    - (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
      - (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
      - (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
      - (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

**THREE RIVERS EDUCATION FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Section III – Federal Award Findings (Continued)**

**2022-001 – Employee Time and Effort Documentation (Significant Deficiency) (Continued)**

**Condition:** The Foundation does not have a system of internal control to accurately track personnel costs when the individual works on more than one program. The Foundation makes a good-faith effort to budget an individual's time based on their best estimate of the distribution of the employee's time over the various programs.

However, the Foundation's employees were not required to track their time on a daily basis and identify which program was worked on during that day. The Foundation did not require those employees who are assigned to multiple cost programs to track and certify their time.

The Foundation did not "true-up" actual time versus budgeted time for the various programs during the year.

**Questioned Costs:** None

**Cause:** The Foundation had not implemented a method to track time for employees allocated between multiple program costs and to adjust those costs based on actual time spent on the programs. The Foundation believed that their good-faith effort to budget accurately an employee's time was sufficient to meet the personnel requirements.

Since bringing this to the attention of the Foundation, it has implemented a method for employees to properly track their time by program and to square-up their time to actual time on a timely and consistent basis.

**Effect:** The Foundation is not in compliance with Federal regulations related to the grant and could put funding in jeopardy or require the Foundation to reimburse the program.

**Auditor's Recommendation:** The Foundation should implement internal control policies and procedures which require employees who work under two or more programs to track their time in a method that allows for proper allocation of expenses between those programs. Additionally, the Foundation should implement a process for employees to certify that their time is properly tracked and allocated. Finally, the Foundation should implement a time-frame to adjust budgeted salaries to actual salaries based upon the tracking performed by employees.

***Responsible official's view:***

- Specific corrective action plan for finding: **Dr. Linda Coy in conjunction with James Coy, CFO and Patty Eaton, Business Manager have developed a revised process of collecting T & E data from employees affected by this action. Each affected employee will collect daily activities tied to the percentage of time allocated to their respective positions and submit on a monthly basis to the business office. The business office will calculate the time spent on each project and provide that information back to the employee for adjustment during the following month. The documentation, for each employee that is part of this process will be available to the auditors during the next audit cycle. The HR department will maintain these files for inspection.**
- Timeline for completion of corrective action plan: **After consultation with the auditors, it was decided that the effective date for implementation is September 1, 2023.**
- Employee position(s) responsible for meeting the timeline: **Dr. Linda Coy, Three Rivers Education Foundation Director & James L. Coy CFO**

**THREE RIVERS EDUCATION FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Section IV – Prior Year Audit Findings**

**Financial Section Findings**

None identified

**Federal Award Findings**

None identified