

STATE OF NEW MEXICO
MORENO VALLEY
EDUCATION FOUNDATION, INC.
COMPONENT OF
MORENO VALLEY HIGH SCHOOL

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2014
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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TABLE OF CONTENTS

Year Ended June 30, 2014

INTRODUCTORY SECTION

	Title Page
iii	Table of Contents
1	Official Roster

FINANCIAL SECTION

5	Independent Auditors' Report
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BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

8	Statement of Net Position
9	Statement of Revenue, Expenses, and Changes in Net Assets
10	Statement of Cash Flow
11	Notes to the Financial Statements

OTHER SUPPLEMENTAL INFORMATION:

19	Schedule of Pledged Collateral
----	--------------------------------

COMPLIANCE SECTION

21	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
23	Schedule of Findings and Responses
26	Summary Schedule of Prior Year Audit Findings
27	Required Disclosure

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STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

OFFICIAL ROSTER
June 30, 2014

BOARD OF DIRECTORS

Carl Nelson	President
Johnese Turri	Vice President
Mary Shaffer	Treasurer
Joyce Burke	Secretary
Larry Leahy	Member

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FINANCIAL SECTION

FISCAL YEAR 2014

JULY 1, 2013 THROUGH JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
And the Board of Directors of
Moreno Valley Education Foundation, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Moreno Valley Education Foundation, Inc. (a non-profit organization)(a component of Moreno Valley High School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents. We have also audited the supplemental information in the financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Moreno Valley Education Foundation, Inc. as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the Foundation for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hector H. Balderas, State Auditor
And the Board of Directors of
Moreno Valley Education Foundation, Inc.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on Moreno Valley Education Foundation's basic financial statements. The other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic 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 November 4, 2014 on our consideration of the Moreno Valley Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this 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 the Moreno Valley Education Foundation's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
November 4, 2014

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION

PROPRIETARY FUND
STATEMENT OF NET POSITION
June 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$ 154,864
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Noncurrent assets:

Capital assets:

Land	300,000
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Buildings and improvements	571,131
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Equipment	70,324
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Less: accumulated depreciation	<u>(318,671)</u>
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Total noncurrent assets	<u>622,784</u>
-------------------------	----------------

Total assets	<u><u>\$ 777,648</u></u>
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NET POSITION

Net investment in capital assets	\$ 622,784
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Unrestricted	<u>154,864</u>
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Total net position	<u><u>\$ 777,648</u></u>
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STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year ended June 30, 2014

Operating revenue:	
Rental	\$ <u>68,000</u>
Operating expenses:	
Travel	1,616
Office expense	1,356
Contract Services	2,000
Insurance	930
Licenses and taxes	2,462
Legal and professional	19,842
Professional development	4,309
Miscellaneous	1,731
Depreciation	<u>27,112</u>
Total operating expenses	<u>61,358</u>
Operating income (loss)	<u>6,642</u>
Non-Operating income (expenses):	
Transfers in	<u>15,157</u>
Change in net position	<u>21,799</u>
Net position - beginning	612,847
Restatement	<u>143,002</u>
Net position - as restated	<u>755,849</u>
Net position - ending	<u>\$ 777,648</u>

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION

PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year ended June 30, 2014

CASH FLOWS FROM OPERATING
 ACTIVITIES

Cash received from customers	\$	68,000
Cash payments for supplies and maintenance		<u>(34,246)</u>

Net cash provided by operating activities		33,754
---	--	--------

Cash and cash equivalents at beginning of year		<u>121,110</u>
--	--	----------------

Cash and cash equivalents at end of year	\$	<u><u>154,864</u></u>
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RECONCILIATION OF OPERATING INCOME
 TO NET CASH PROVIDED (USED) BY
 OPERATING ACTIVITIES

Operating income	\$	6,642
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Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
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Depreciation expense		<u>27,112</u>
----------------------	--	---------------

Net cash provided by operating activities	\$	<u><u>33,754</u></u>
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Non cash investing and financing activities:

Transfer of land from Moreno Valley Charter School	\$	15,157
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Restatement of capital assets		<u>143,001</u>
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	\$	<u><u>158,158</u></u>
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE	PAGE
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	12
1. Blended Component Units	
2. Discretely Presented Component Units	
B. Financial statement presentation	12
C. Cash and equivalents	13
D. Use of estimates	13
E. Property and equipment	13
F. Income taxes	13
G. Restricted cash	13
II. DETAILED NOTES ON ALL FUNDS	
A. Cash and Temporary Investments	14
B. Capital Assets	14
C. Component unit transactions	15
D. Subsequent events	15

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Moreno Valley Education Foundation, Inc. (Foundation) is a legally separate, tax exempt component of Moreno Valley High School (School). The Foundation is governed by an elected four-member board. The Board is the basic level of government, which has oversight responsibility and control over all activities related to the Foundation. The Foundation operates for the purpose of providing supporting funds to the Moreno Valley High School. The Foundation received funds from renting facilities to the School, donations and fund raising.

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

The Foundation's financial statements include all entities over which the Board exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component unit and no fiduciary units were included in the financial statements.

As required by GAAP, these financial statements present the District (primary government) and its component units. The component units discussed below are included in the District's reporting because of the significance of their operational or financial relationships with the District in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

Moreno Valley High School
P.O. Box 1037
Angel Fire, NM 87710

The Moreno Valley Education Foundation, Inc., New Mexico (Foundation) was incorporated, and it is administered by a manager, who is overseen by a local advisory board for the purpose of providing supporting funds to the Moreno Valley High School. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Foundation's financial statements to be misleading or incomplete. The Foundation provides the usual municipal services with the exception of education, which administered by other governmental agencies.

As required by GAAP, these financial statements present the Foundation (primary government).

Depending upon the significance of the financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units.

1. Blended Component Units.

Legally separate component units for which the Foundation is financially accountable are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government. The Foundation had no blended component units during the fiscal year ended June 30, 2014.

2. Discretely Presented Component Units.

The financial data of component units are reported in separate columns to emphasize that they are legally separate from the Foundation. The Foundation had no discrete component units during the fiscal year ended June 30, 2014.

B. Financial statement presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Deposits and investments

The foundation's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the investment of the Foundation's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Foundation is also allowed to invest in United States Government obligations. All funds for the Foundation must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the school Foundation. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Use of estimates

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

E. Property and equipment

Property and equipment is recorded at cost. Donations of property and equipment are recorded as unrestricted support at their estimated value. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

F. Income taxes

The Foundation is a tax exempt organization under Section 501(c)(3) of the Code.

G. Restricted cash

Restricted cash reported on the statement of net assets are contributions made for specific purposes. The money is earmarked for such purposes and should be spent accordingly.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2014, the carrying amount of the Foundation's deposits was \$154,864 and the bank balance was \$154,864. Of this balance \$154,864 was covered by federal depository insurance. The Foundation was not required to have pledged collateral at June 30, 2014.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2014, none of the Foundation's bank balance of \$154,864 was exposed to custodial risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging bank's trust dept not in the Foundation's name		-
Total uninsured		-
Insured (FDIC)		154,864
Total deposits	\$	154,864

The collateral pledged is listed on Page 19 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

B. Capital assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Beginning Balance Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 284,843	\$ -	\$ 284,843	\$ 15,157	\$ -	\$ 300,000
Capital assets being depreciated:						
Land improvements	335,244	(335,244)	-	-	-	-
Buildings and improvements	35,690	535,441	571,131	-	-	571,131
Furniture, fixtures, and equipment	70,324	-	70,324	-	-	70,324
Total capital assets being depreciated	441,258	200,197	641,455	-	-	641,455
Less accumulated depreciation for:						
Land improvements	(157,863)	157,863	-	-	-	-
Buildings and improvements	(11,126)	(215,057)	(226,183)	(25,831)	-	(252,014)
Furniture, fixtures, and equipment	(65,375)	-	(65,375)	(1,281)	-	(66,656)
Total accumulated depreciation	(234,364)	(57,194)	(291,558)	(27,112)	-	(318,670)
Total capital assets being depreciated, net	206,894	143,003	349,897	(27,112)	-	322,785
Total capital assets, net	\$ 491,737	\$ 143,003	\$ 634,740	\$ (11,955)	\$ -	\$ 622,785

Construction Commitments

The Foundation did not have any ongoing construction as of June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

III. OTHER INFORMATION

A. Component unit transactions

The Moreno Valley High School pays the Moreno Valley Education Foundation rent for the land and land improvements in the amount of \$68,000. The Moreno Valley Education Foundation intends to commit some of the funds to help build the charter school some classrooms.

B. Restatement

There was a restatement of the financials for Moreno Valley Education Foundation in the amount of \$143,002 for the capital assets which had previously been deleted, and were brought back onto the financials.

C. Subsequent events

Subsequent events were evaluated through November 4, 2014, which is the date the financial statements were available to be issued. The Foundation conveyed land to the Cimarron School District in July of 2014 in the process of constructing a school building for Moreno Valley Charter School.

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OTHER SUPPLEMENTAL INFORMATION

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STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION

SCHEDULE OF PLEDGED COLLATERAL
 June 30, 2014

<u>International Bank</u>	
Cash on deposit	\$ 154,864
Less FDIC Coverage	<u>(154,864)</u>
Total uninsured funds	<u>\$ -</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Operating	Checking - Non Interest	International Bank	<u>\$ 154,864</u>
		Adjustments to cash:	
		Bank Balance	\$ 154,864
		Reconciling items	<u>-</u>
		Cash and cash equivalents	<u>\$ 154,864</u>

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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

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Board of Directors
Moreno Valley Education Foundation, Inc.

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 the business-type activities of the Moreno Valley Education Foundation, Inc. as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Moreno Valley Education Foundation, Inc.'s basic financial statements of Moreno Valley Education Foundation, Inc., presented as supplemental information, and have issued our report thereon dated November 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Moreno Valley Education Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Moreno Valley Education Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Moreno Valley Education Foundation, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Moreno Valley High School Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be *material weaknesses*. Finding 2014-001 and 2014-002.

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. We did not consider any of the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether Moreno Valley Education Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards as described in the accompanying schedule of findings and responses as Finding 2014-001 and 2014-002.

Hector H. Balderas, State Auditor
and the Board of Directors
Moreno Valley Education Foundation, Inc.

Moreno Valley Education Foundation, Inc.'s Response to Findings

Moreno Valley Education Foundation, Inc. responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Moreno Valley Education Foundation, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the Moreno Valley Education Foundation, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
November 4, 2014

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	<u>✓</u>	<u> </u>	<u>2</u>
Significant Deficiency(ies) identified?	<u> </u>	<u>✓</u>	<u>-</u>
Noncompliance material to financial statements noted?	<u>✓</u>	<u> </u>	<u>2</u>

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2014 – 001 NO INVENTORY OF CAPITAL ASSETS

Significant Deficiency?
No

Material Weakness?
Yes

Compliance or Other Matter?
Yes

Condition: The Foundation did not take a physical inventory of the capital assets as required by state law.

Criteria: According to Section 13-6-1 through 13-6-2 NMSA 1978 organizations are required to take a capital asset inventory at least once every year.

Cause: The Foundation is working to get the in compliance with the IRS 501 c (3) code, and in the process filed several back tax returns, and did not do an inventory of the capital assets, but brought old capital assets back on to the **books**. **The capital assets did not tie to the prior audit report in order but have not completed a capital asset physical inventory in the last two years.**

Effect of condition: The Foundation is working to locate and clean up the capital asset list with a physical inventory.

Recommendation: The Foundation should take a physical inventory once every year in order to determine if items have been lost, broken, or obsolete.

Management's response: We will implement a system of inventory control once a year to determine the status of our assets. We have already discussed with our CPA and will be making additional adjustments to our 2014 return regarding our capital assets. We will also address a new policy....an official system of controls over the capital asset file to regularly monitor any changes to the master file. We want to have an accurate system that can be consistently monitored.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2014 – 002 CONTROLS OF CAPITAL ASSETS

Significant Deficiency?
No

Material Weakness?
Yes

Compliance or Other Matter?
Yes

Condition: Management does not have written policies and procedures for controlling the capital assets master file. There is not an approval process for making changes to the file.

Criteria: NMAC 2.20.1.8A states “Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions.” A system of internal controls should be in place to provide reasonable assurance that the objectives to external reporting and compliance with laws and regulations as recommended by COSO.

Effect of condition: The capital asset master file is susceptible to unauthorized alterations, either intentional or accidental. The Organization is also at risk of not complying with laws and regulations in the event of an extended illness or other event that results in the position of maintaining the master file being vacated.

Cause: Management has not approved and implemented an official system of controls for maintaining and reviewing the capital assets master file.

Recommendation: An official system of controls over the capital assets master file should be developed, approved by the governing board, and implemented. The system should dictate the documenting and approval of changes to the master file. The system should also establish a regular monitoring of the master file to ensure it has not been altered and allows for consistent tracking and reporting.

Management’s Response: We will implement a system of inventory control once a year to determine the status of our assets. We have already discussed with our CPA and will be making additional adjustments to our 2014 return regarding our capital assets. We will also address a new policy...an official system of controls over the capital asset file to regularly monitor any changes to the master file. We want to have an accurate system that can be consistently monitored.

:

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

I. NOT RESOLVED

There were no findings to be reported from the prior year.

II. RESOLVED

There were no findings to be reported from the prior year.

REQUIRED DISCLOSURES

YEAR ENDED JUNE 30, 2014

The financial statements were prepared by the independent public accountant.

An exit conference was held November 4, 2014 during which the audit findings were discussed. The exit conference was attended by the following individuals:

MORENO VALLEY EDUCATION FOUNDATION, INC.

Carl Nelson President

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, C.P.A. Partner