



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

**TEXAS ASSOCIATION FOR THE
EDUCATION OF YOUNG CHILDREN, INC.**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

MAY 31, 2016



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Texas Association for the Education of Young Children, Inc.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Texas Association for the Education of Young Children, Inc. (TAEYC), a nonprofit organization, which comprise the statement of financial position as of May 31, 2016, and the related statements of activities 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 of 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 judgement, including the assessment of the risk 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAEYC as of May 31, 2016 and 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.

Montemayor Britton Bender PC

6 September 2016
Austin, Texas

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION

MAY 31, 2016

ASSETS

CURRENT ASSETS

| | |
|---------------------|------------------|
| Cash | \$389,697 |
| Accounts receivable | <u>46,932</u> |
| | <u>\$436,629</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------|---------------|
| Accounts payable | \$43,115 |
| Accrued liabilities | 13,410 |
| Deferred revenue | <u>30,724</u> |
| | <u>87,249</u> |

NET ASSETS

| | |
|----------------------------------------------------------------|------------------|
| Unrestricted net assets | 284,061 |
| Temporarily restricted net assets-Texas Early Learning Council | <u>65,319</u> |
| | <u>349,380</u> |
| | <u>\$436,629</u> |

The accompanying notes are an integral part of this financial statement presentation.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|------------------|
| REVENUE | | | |
| Grants | \$786,984 | \$0 | \$786,984 |
| Conference | 258,288 | 0 | 258,288 |
| Membership income | 81,606 | 0 | 81,606 |
| Program income | 15,532 | 0 | 15,532 |
| Other income | 15,552 | 0 | 15,552 |
| Net assets released from restrictions | <u>58,500</u> | <u>(58,500)</u> | <u>0</u> |
| | <u>1,216,462</u> | <u>(58,500)</u> | <u>1,157,962</u> |
| EXPENSES | | | |
| Professional service | 500,731 | 0 | 500,731 |
| Teach cost | 215,432 | 0 | 215,432 |
| Personnel | 189,267 | 0 | 189,267 |
| Conference cost | 54,738 | 0 | 54,738 |
| Travel | 36,906 | 0 | 36,906 |
| Audio/Visual expense | 27,731 | 0 | 27,731 |
| Web/ Technology | 23,005 | 0 | 23,005 |
| Printing/ Duplication | 21,304 | 0 | 21,304 |
| Accounting fees | 21,116 | 0 | 21,116 |
| Advertising | 19,724 | 0 | 19,724 |
| Food and beverage | 17,525 | 0 | 17,525 |
| Program materials | 10,812 | 0 | 10,812 |
| Office lease | 9,094 | 0 | 9,094 |
| Merchant service fees | 8,471 | 0 | 8,471 |
| Miscellaneous expense | <u>59,275</u> | <u>0</u> | <u>59,275</u> |
| | <u>1,215,131</u> | <u>0</u> | <u>1,215,131</u> |
| CHANGE IN NET ASSETS | 1,331 | (58,500) | (57,169) |
| BEGINNING NET ASSETS | <u>282,730</u> | <u>123,819</u> | <u>406,549</u> |
| ENDING NET ASSETS | <u>\$284,061</u> | <u>\$65,319</u> | <u>\$349,380</u> |

The accompanying notes are an integral part of this financial statement presentation.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-------------------------------|------------------|
| Change in net assets | (\$57,169) |
| Change in accounts receivable | (16,841) |
| Change in accounts payable | 43,115 |
| Change in accrued liabilities | 12,064 |
| Change in deferred revenue | <u>(16,961)</u> |
| NET CHANGE IN CASH | (35,792) |
| BEGINNING CASH | <u>425,489</u> |
| ENDING CASH | <u>\$389,697</u> |

The accompanying notes are an integral part of this financial statement presentation.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Texas Association for the Education of Young Children, Inc. (TAEYC) is a non-profit organization with the mission to provide opportunities for professional growth and to broaden public awareness on early education issues affecting the lives of children and their families.

TAEYC is a state affiliate of the National Association for the Education of Young Children which is the nation's largest and most influential organization of early childhood educators and others dedicated to improving the quality of programs for children from birth through third grade.

Founded in 1966, TAEYC supports over 2,000 members statewide with training, legislative advocacy, grants and scholarships. Membership is open to all who share a desire to serve and act on behalf of the needs and rights of children and their families.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of TAEYC and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets that result from contributions and other inflows of assets that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor imposed stipulations that they must be maintained permanently by the organization. TAEYC has not received any permanently restricted contributions as of year end.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTY AND EQUIPMENT

Property, equipment and leasehold improvements are recorded at cost, including the cost of significant improvements or renovations. Donated assets are recorded at their estimated fair values at the date of donation. Costs of routine repairs and maintenance are charged to expense as incurred. Depreciation is calculated using the straight-line method over estimated useful lives of three to five years. Assets purchased with a cost in excess of \$1,500 are capitalized.

REVENUE

Membership dues are recognized as revenue in the year in which they relate to. Other revenues are recognized as income when they are earned. The advance payments TAEYC receives are accounted for as deferred revenue in the accompanying statement of financial position.

Cost reimbursement grants are recorded as revenue as costs are incurred.

ACCOUNTS RECEIVABLE

TAEYC considers all grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

FUNCTIONAL ALLOCATION

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly certain costs have been allocated among the programs and supporting services benefitted. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program.

INCOME TAXES

TAEYC is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3), except to the extent it has unrelated business activities. Therefore, no provision has been made for Federal income taxes in the accompanying financial statements. TAEYC's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At May 31, 2016 no interest and penalties have been or are required to be accrued. TAEYC, generally, is no longer subject to income tax examinations by federal authorities for years prior to May 31, 2014.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSEQUENT EVENTS

TAEYC has evaluated subsequent events through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

NOTE 3: LEASE COMMITMENTS

TAEYC conducts its operations in a leased facility. The office lease expires May 31, 2017 with a remaining commitment at May 31, 2016 of \$12,000. Rental expense under this lease was approximately \$9,100 for the year ended May 31, 2016.

NOTE 4: CONCENTRATION

One grantor provided 58% of total revenue.

NOTE 5: COMMITMENTS AND CONTINGENCIES

TAEYC is funded by grants and contracts that are subject to review and audit by the grantor agencies. These grants and contracts have certain compliance requirements and, should audits by the grantor agencies disclose any areas of substantial noncompliance, TAEYC may be required to refund any disallowed costs. Management does not believe any instances of substantial noncompliance exist.

TAEYC has entered into various contracts with hotels to provide hotel guest rooms and meeting space for conferences in 2016 through 2018. TAEYC has the option to cancel the contracts at any time prior to the event, with variable payment liability based on the length of time remaining until the event. As of May 31, 2016, TAEYC's commitment under these contracts was approximately \$169,000.

NOTE 6: FUNCTIONAL EXPENSE

| | |
|----------------|--------------------|
| Program | \$1,120,570 |
| Administrative | <u>94,561</u> |
| | <u>\$1,215,131</u> |