

**Iowa Association for the Education of Young Children
Des Moines, Iowa**

FINANCIAL REPORT

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Iowa Association for the Education of Young Children
Des Moines, Iowa

We have audited the accompanying statements of financial position of Iowa Association for the Education of Young Children as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Association for the Education of Young Children as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 10 through 13, as listed on the contents page, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 12, 2012

**Iowa Association for the Education of Young Children
STATEMENTS OF FINANCIAL POSITION**

	June 30	
ASSETS	2012	2011
Cash	\$ 45,475	\$ 97,487
Accounts receivable	221,875	161,357
Investments	34,064	87,066
Prepaid expenses	3,146	133
Totals	\$ 304,560	\$ 346,043
LIABILITIES AND NET ASSETS		
LIABILITIES		
Note payable	\$ 150,000	\$ 150,000
Accrued employee compensation	24,380	25,725
Deferred revenue	25,156	38,222
Custodian accounts	8,103	—
Total liabilities	207,639	213,947
NET ASSETS , unrestricted	96,921	132,096
Totals	\$ 304,560	\$ 346,043

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
STATEMENTS OF ACTIVITIES**

	Year ended June 30	
	<u>2012</u>	<u>2011</u>
UNRESTRICTED REVENUE		
TEACH program		
Iowa Department of Human Services	\$ 400,000	\$ 400,000
Iowa Department of Management	246,685	256,570
Iowa Department of Education	106,453	156,000
United Way of Central Iowa	78,000	63,004
Child Care Services Association	14,994	-
Work/Family Directions, Inc.	-	9,746
Early Childhood Iowa, county contracts		
Blackhawk	17,000	26,000
Marion	1,600	7,836
Polk	80,000	75,000
Copayments from recipients	<u>86,619</u>	<u>37,459</u>
	1,031,351	1,031,615
Conference income	72,159	77,000
Contract income	82,009	50,292
Membership dues	32,681	30,336
Contributions	6,948	6,771
Investment (loss)	(23,002)	(9,540)
Miscellaneous	<u>14,110</u>	<u>15,633</u>
Total revenue	<u>1,216,256</u>	<u>1,202,107</u>
EXPENSES		
Program services—education and training	1,070,147	1,036,561
Supporting services—management and general	<u>181,284</u>	<u>175,065</u>
Total expenses	<u>1,251,431</u>	<u>1,211,626</u>
CHANGE IN NET ASSETS	(35,175)	(9,519)
NET ASSETS, beginning	<u>132,096</u>	<u>141,615</u>
NET ASSETS, ending	<u>\$ 96,921</u>	<u>\$ 132,096</u>

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
STATEMENTS OF CASH FLOWS**

	<u>Year ended June 30</u>	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (35,175)	\$ (9,519)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities		
Realized (gains)	(835)	-
Changes in unrealized losses	25,082	21,401
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(60,518)	39,835
(Increase) decrease in prepaid expenses	(3,013)	5,599
(Decrease) in accounts payable	-	(49,461)
Increase (decrease) in accrued employee compensation	(1,345)	11,026
Increase (decrease) in deferred revenue	(13,066)	2,129
Increase in custodian accounts	8,103	-
Net cash provided by (used in) operating activities	<u>(80,767)</u>	<u>21,010</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of note payable	<u>-</u>	<u>75,000</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	45,004	261,429
Purchases of investments	<u>(16,249)</u>	<u>(273,291)</u>
Net cash provided by (used in) investing activities	<u>28,755</u>	<u>(11,862)</u>
 NET INCREASE (DECREASE) IN CASH	(52,012)	84,148
 CASH		
Beginning	<u>97,487</u>	<u>13,339</u>
Ending	<u>\$ 45,475</u>	<u>\$ 97,487</u>

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Iowa Association for the Education of Young Children is an Iowa nonprofit corporation organized to serve and act on behalf of the needs, right and well being of all young children with primary focus on the promotion of educational and development services and resources for children, families and communities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*. Accordingly, the Association 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. The Association had only unrestricted net assets during the years ended June 30, 2012 and 2011.

Unrestricted net assets are those assets which are neither temporarily or permanently restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of Association operations.

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Association pursuant to those stipulations. As donor imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets.

Permanently restricted net assets represent contributions or other inflows of assets whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

Use of Estimates

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

Investments

The Association carries investments in money market funds and marketable securities with readily determinable fair values at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Deferred Revenue

Deferred revenue primarily consists of cash received from TEACH program contracts in advance of performance of the services required under the specific provisions of each contract.

Functional Allocation of Expenses

The cost of providing for the program has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the program service and supporting services benefited.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Association is exempt from federal income taxes under applicable provisions of the Internal Revenue Code. The Association follows the accounting for uncertainty in income tax requirements as required by the Income Tax Topic of the *FASB Accounting Standards Codification*. Management has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The Association has not been notified of any impending examinations by tax authorities, and no examinations are in process.

NOTE 2 INVESTMENTS

The Association's investments are as follows:

	June 30	
	2012	2011
Money market funds	\$ 16,571	\$ 2,568
Foreign bonds	-	41,869
Corporation common stocks	17,493	42,629
Totals	\$ 34,064	\$ 87,066

Investment (loss) consisted of the following:

	Year ended June 30	
	2012	2011
Interest and dividends	\$ 1,245	\$ 11,861
Realized gains	835	-
Changes in unrealized (losses)	(25,082)	(21,401)
Totals	\$ (23,002)	\$ (9,540)

Fair Value of Financial Instruments

The Association measures the fair value of investments in accordance with the Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, generally ranging from the most objective to the most subjective. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are generally available indirect information, such as quoted prices for identical or similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. Level 3 inputs are the most subjective, are generally based on the management's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. All of the Association's investments were valued using Level 1 inputs at June 30, 2012 and 2011.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 NOTE PAYABLE

Note payable consists of a line of credit with a bank providing a maximum credit limit of \$175,000, under which \$150,000 was outstanding at June 30, 2012. The agreement carries interest equal to the prime rate, plus 1%, with an interest rate floor of 5%. The interest rate at June 30, 2012 was 5%. The agreement is secured by virtually all assets of the Association and has a maturity date of March, 2013.

NOTE 4 SUBSEQUENT EVENTS

The Association has evaluated subsequent events through October 12, 2012, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

**Iowa Association for the Education of Young Children
SCHEDULES OF EXPENSES**

	<u>Year ended June 30, 2012</u>		
	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>
	<u>Education and training</u>	<u>Management and general</u>	
Salaries	\$ 265,734	\$ 113,886	\$ 379,620
Payroll taxes	23,604	10,116	33,720
Employee benefits	<u>5,681</u>	<u>2,434</u>	<u>8,115</u>
Total salaries and related benefits	295,019	126,436	421,455
Scholarships			
TEACH program	556,936	-	556,936
Other	19,948	-	19,948
Travel			
Staff and board members	19,973	8,420	28,393
TEACH program	49,389	-	49,389
Contracted services	1,660	-	1,660
Continuing education	4,229	-	4,229
Rent	26,272	3,583	29,855
Utilities	3,078	420	3,498
Supplies	5,449	1,362	6,811
Printing and publications	828	7,619	8,447
Postage	2,474	619	3,093
Telephone	6,730	1,683	8,413
Minor equipment	10,117	2,529	12,646
Conference costs	33,912	-	33,912
Meetings	2,537	71	2,608
Promotion costs	6,194	-	6,194
Professional fees	4,018	16,072	20,090
Insurance	-	5,328	5,328
Rebates	5,358	-	5,358
Provision for bad debts	16,026	-	16,026
Interest	-	3,207	3,207
Miscellaneous	<u>-</u>	<u>3,935</u>	<u>3,935</u>
 Total	 <u>\$1,070,147</u>	 <u>\$ 181,284</u>	 <u>\$1,251,431</u>

Year ended June 30, 2011		
Program services	Supporting services	
Education and training	Management and general	Total
\$ 257,997	\$ 110,570	\$ 368,567
23,020	9,866	32,886
<u>4,212</u>	<u>1,805</u>	<u>6,017</u>
285,229	122,241	407,470
527,702	–	527,702
37,545	–	37,545
20,910	8,950	29,860
54,493	–	54,493
5,485	–	5,485
3,479	–	3,479
21,396	2,918	24,314
2,930	400	3,330
6,675	1,669	8,344
3,723	10,905	14,628
2,719	680	3,399
6,595	1,649	8,244
3,658	915	4,573
29,469	–	29,469
35	774	809
8,705	–	8,705
3,940	15,759	19,699
–	4,452	4,452
4,372	–	4,372
7,501	–	7,501
–	2,472	2,472
<u>–</u>	<u>1,281</u>	<u>1,281</u>
<u>\$1,036,561</u>	<u>\$ 175,065</u>	<u>\$1,211,626</u>

**Iowa Association for the Education of Young Children
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012**

<u>Federal grantor/pass-through grantor/description and identifying number</u>	<u>Federal CFDA number</u>	<u>Federal CFDA name</u>	<u>Federal expenditures</u>
U.S. Department of Health and Human Services			
<i>Passed through State of Iowa Department of Human Services</i>			
TEACH, DCFS 07-001	93.575	Childcare & Development Fund, Discretionary	\$ 400,000
<i>Passed through State of Iowa Department of Management, passed through Polk County</i>			
Early Childhood Iowa, T080081	93.575	Childcare & Development Fund, Discretionary	80,000
<i>Passed through State of Iowa Department of Management, passed through Black Hawk County</i>			
Early Childhood Iowa	93.575	Childcare & Development Fund, Discretionary	17,000
<i>Passed through State of Iowa Department of Management,</i>			
90SC0050	93.708	Health and Human Services-Head Start ARRA	52,394
Office of Special Education and Rehabilitative Services, Department of Education			
<i>Passed through State of Iowa Department of Education, 086210</i>			
	84.173	Special Education-Preschool Grants, Discretionary	78,785
<i>Passed through State of Iowa Department of Education, 086110</i>			
	84.181	Special Education-Grants for Infants and Families-Discretionary-ARRA	<u>19,602</u>
Total expenditures of federal awards			<u>\$ 647,781</u>

Iowa Association for the Education of Young Children
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Iowa Association for the Education of Young Children and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

Board of Directors
Iowa Association for the Education of Young Children
Des Moines, Iowa

We have audited the financial statements of Iowa Association for the Education of Young Children, as of and for the year ended June 30, 2012 and have issued our report thereon dated October 12, 2012. 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.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 12, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Iowa Association for the Education of Young Children
Des Moines, Iowa

Compliance

We have audited the compliance of Iowa Association for the Education of Young Children, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2012. The Association's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with those requirements.

In our opinion, Iowa Association for the Education of Young Children complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 12, 2012

**Iowa Association for the Education of Young Children
SCHEDULE OF FINDINGS
Year ended June 30, 2012**

SECTION I—SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to financial statements.

Federal Awards

- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major program was as follows:
 - CFDA #93.575 – Childcare & Development Fund, Discretionary, TEACH.
- (h) Dollar threshold used to distinguish between type A and type B programs was \$300,000.
- (i) The Association qualified as low-risk auditee.

SECTION II—FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None.

SECTION III—FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.