

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

FINANCIAL REPORT

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Iowa Association for the Education of Young Children, a nonprofit corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 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 audits 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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Association for the Education of Young Children as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 11-13, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Association's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 27, 2019

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

	June 30	
ASSETS	2019	2018
Cash	\$ 61,775	\$ 109,796
Accounts receivable	264,640	272,265
Prepaid expenses	<u>11,036</u>	<u>11,374</u>
 Totals	 <u>\$ 337,451</u>	 <u>\$ 393,435</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 393	\$ 189
Accrued employee compensation	25,498	27,197
Deferred revenue	<u>237,692</u>	<u>291,156</u>
Total liabilities	<u>263,583</u>	<u>318,542</u>
 NET ASSETS , without donor restrictions	 <u>73,868</u>	 <u>74,893</u>
 Totals	 <u>\$ 337,451</u>	 <u>\$ 393,435</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2019	2018
REVENUE		
TEACH program		
Iowa Department of Human Services	\$ 462,000	\$ 462,000
Iowa Department of Management	359,738	338,594
Iowa Department of Public Health	287,107	81,082
United Way of Central Iowa	78,000	78,000
Early Childhood Iowa, Polk County	87,050	82,800
Copayments from recipients	<u>77,625</u>	<u>55,925</u>
	1,351,520	1,098,401
Contract income	816,332	792,281
WAGE\$ program	595,098	603,910
Conference income	84,755	82,354
Membership dues	27,025	26,888
Contributions	7,632	7,028
Sponsorship income	15,975	4,777
Miscellaneous	<u>9,068</u>	<u>12,960</u>
Total revenue	<u>2,907,405</u>	<u>2,628,599</u>
EXPENSES		
Program services—education and training	2,481,053	2,213,635
Supporting services—management and general	<u>427,377</u>	<u>431,647</u>
Total expenses	<u>2,908,430</u>	<u>2,645,282</u>
CHANGE IN NET ASSETS	(1,025)	(16,683)
NET ASSETS		
Beginning	<u>74,893</u>	<u>91,576</u>
Ending	<u>\$ 73,868</u>	<u>\$ 74,893</u>

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
STATEMENTS OF FUNCTIONAL EXPENSES**

	<u>Year ended June 30, 2019</u>			<u>Year ended June 30, 2018</u>		
	<u>Program Services</u>	<u>Supporting services</u>	<u>Total</u>	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>
	<u>Education and training</u>	<u>Management and general</u>		<u>Education and training</u>	<u>Management and general</u>	
Salaries	\$ 937,890	\$ 195,942	\$1,133,832	\$ 911,757	\$ 194,425	\$1,106,182
Payroll taxes	68,362	14,463	82,825	66,683	15,193	81,876
Employee benefits	<u>24,534</u>	<u>4,072</u>	<u>28,606</u>	<u>24,087</u>	<u>5,812</u>	<u>29,899</u>
Total salaries and related benefits	1,030,786	214,477	1,245,263	1,002,527	215,430	1,217,957
Scholarships						
TEACH program	638,802	-	638,802	515,081	-	515,081
WAGE\$ program	482,863	-	482,863	423,447	-	423,447
CDA assessments	46,675	-	46,675	45,700	-	45,700
Other	6,571	564	7,135	16,632	664	17,296
Travel	90,400	13,032	103,432	104,305	14,992	119,297
Contract services	9,903	-	9,903	-	-	-
Continuing education	3,126	1,726	4,852	3,600	575	4,175
Rent	-	52,730	52,730	-	52,730	52,730
Utilities	-	7,981	7,981	-	8,599	8,599
Supplies	9,869	11,920	21,789	4,590	8,716	13,306
Printing and publications	3,941	1,294	5,235	4,957	1,356	6,313
Payroll processing services	2,505	769	3,274	2,638	599	3,237
Postage	2,093	350	2,443	2,280	574	2,854
Telephone	150	4,675	4,825	300	3,705	4,005
Equipment maintenance	5,450	20,744	26,194	6,429	21,483	27,912
Minor equipment	5,212	6,359	11,571	2,225	7,450	9,675
Conference costs	4,795	50,531	55,326	6,849	52,741	59,590
Meetings	35,477	2,914	38,391	28,793	4,148	32,941
Promotion costs	8,882	6,223	15,105	7,611	9,670	17,281
Professional fees	89,126	22,485	111,611	32,347	16,864	49,211
Insurance	4,427	2,262	6,689	3,324	1,305	4,629
Rebates	-	3,410	3,410	-	4,950	4,950
Interest	-	1,186	1,186	-	258	258
Miscellaneous	<u>-</u>	<u>1,745</u>	<u>1,745</u>	<u>-</u>	<u>4,838</u>	<u>4,838</u>
Totals	<u>\$2,481,053</u>	<u>\$ 427,377</u>	<u>\$2,908,430</u>	<u>\$2,213,635</u>	<u>\$ 431,647</u>	<u>\$2,645,282</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,025)	\$ (16,683)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Changes in assets and liabilities		
Decrease in accounts receivable	7,625	67,283
(Increase) decrease in prepaid expenses	338	(4,854)
Increase in accounts payable	204	79
(Decrease) in accrued employee compensation	(1,699)	(6,682)
Increase (decrease) in deferred revenue	<u>(53,464)</u>	<u>53,279</u>
Net cash provided by (used in) operating activities	<u>(48,021)</u>	<u>92,422</u>
 NET INCREASE (DECREASE) IN CASH	 (48,021)	 92,422
 CASH		
Beginning	<u>109,796</u>	<u>17,374</u>
Ending	<u>\$ 61,775</u>	<u>\$ 109,796</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

As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, the Organization reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those assets that have no donor imposed stipulations. The Association's governing board may earmark portions of its net assets without donor restrictions as board designated for various purposes.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Association is limited by donor imposed stipulations. As donor imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

The Association had only net assets without donor restrictions as of June 30, 2019 and 2018.

Recently Issued Accounting Standards

The Financial Accounting Standards Board, FASB, issued Accounting Standards Update, ASU, No 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the prior period presented. The changes to the Organization's financial statements included the addition of new disclosures regarding liquidity and availability of resources and the addition of the statements of functional expenses. The accompanying 2018 financial statements have been restated to conform to the 2019 presentation.

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.

Deferred Revenue

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

Allocation of Functional Expenses

Expenses have been allocated to program or supporting services based on determinations made by management.

**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.

Reclassifications

Certain amounts have been reclassified in the 2018 financial statements in order to conform with the 2019 presentation, with no effect on the change in net assets.

NOTE 2 CONCENTRATION OF RISK

The Association provides significant services throughout the state of Iowa for each the Iowa Department of Human Services, Iowa Department of Management, and Iowa Department of Public Health. Services provided are primarily under various contracts and grants. Future contracts and grants with each of these Departments are dependent upon appropriations by the Iowa state legislature.

NOTE 3 LIQUIDITY AND RESERVES

The Association monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of its excess cash. The Association's financial assets available within one year of the statements of financial position date for general expenses are as follows:

	<u>June 30</u>	
	<u>2019</u>	<u>2018</u>
Cash	\$ 61,775	\$ 109,796
Accounts receivable	<u>264,640</u>	<u>272,265</u>
Totals	<u>\$ 326,415</u>	<u>\$ 382,061</u>

NOTE 4 SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 27, 2019, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

SUPPLEMENTARY INFORMATION

**Iowa Association for the Education of Young Children
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019**

<u>Federal grantor/pass-through grantor/ pass through grant description and identifying number</u>	<u>Federal CFDA number</u>	<u>Agency or pass-through number</u>	<u>Federal expenditures</u>
United States Department of Health and Human Services			
<i>Passed through Iowa Department of Human Services</i>			
Childcare and Development Fund, Discretionary	93.575	ACFS 19-006	\$ 462,000
Child Care and Development Block Grant	93.575	ACFS 17-070	150,000
<i>Passed through Iowa Department of Public Health</i>			
Health Resources and Services Administration	93.870	5888CH19	127,399
Health Resources and Services Administration	93.870	5889CH19	<u>159,708</u>
Total Health Resources and Services Administration			<u>287,107</u>
Total United States Department of Health and Human Services			<u>899,107</u>
Total expenditures of federal awards			<u>\$ 899,107</u>

Iowa Association for the Education of Young Children
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Iowa Association for the Education of Young Children under programs of the federal government for the year ended June 30, 2019. 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 a selected portion of the operations of the Association, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Association.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular 122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**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, 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 Iowa Association for the Education of Young Children which comprise the statement of financial position as of June 30, 2019, 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 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 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*.

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 27, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

We have audited Iowa Association for the Education of Young Children's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2019. The Association's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on the Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 27, 2019

**Iowa Association for the Education of Young Children
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019**

SECTION I—SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- (a) An unmodified 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 the 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 unmodified 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 2 CFR Section 200.516(a).
- (g) The major program was as follows:
 - CFDA #93.575 – Childcare & Development Fund, Discretionary.
- (h) The dollar threshold used to distinguish between type A and type B programs was \$750,000.
- (i) Iowa Association for the Education of Young Children was not determined to be a 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.