

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

FINANCIAL REPORT

June 30, 2009

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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 statement of financial position of Iowa Association for the Education of Young Children as of June 30, 2009, and the related statements of activities and cash flows for the year 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 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 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 audit provides 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, 2009, and the results of its operations and its cash flows for the year 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 9, 2009 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 audit was conducted for the purpose of forming an opinion on the Association taken as a whole. The supplementary information included on pages 9-11, as listed on the contents page, including the schedule of expenditures of federal awards as 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 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 9, 2009

**Iowa Association for the Education of Young Children
STATEMENT OF FINANCIAL POSITION
June 30, 2009, with comparative totals for 2008**

	June 30	
ASSETS	2009	2008
Cash	\$ 24,608	\$ 31,924
Accounts receivable	355,306	264,241
Investments	89,085	174,341
Prepaid expenses	<u>2,042</u>	<u>935</u>
 Total	 <u>\$ 471,041</u>	 <u>\$ 471,441</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Note payable	\$ 50,000	\$ —
Accounts payable	100,630	5,525
Accrued expenses	16,407	12,099
Deferred revenue	<u>170,451</u>	<u>296,625</u>
Total liabilities	<u>337,488</u>	<u>314,249</u>
 NET ASSETS, unrestricted	 <u>133,553</u>	 <u>157,192</u>
 Total	 <u>\$ 471,041</u>	 <u>\$ 471,441</u>

See Notes to Financial Statements.

Iowa Association for the Education of Young Children
STATEMENT OF ACTIVITIES
Year ended June 30, 2009, with comparative totals for 2008

	Year ended June 30	
	2009	2008
REVENUE		
TEACH program		
Iowa Department of Human Services	\$ 435,000	\$ 504,400
Iowa Department of Management	395,562	341,116
United Way of Central Iowa	112,737	60,458
Child Development Associate	66,307	-
Empowerment, county		
Boone	-	1,440
Floyd, Mitchell and Chickasaw	4,202	3,146
Marion	-	4,586
Polk	115,000	77,222
Story	-	7,517
Recipient income	79,549	22,756
Other	<u>1,695</u>	<u>-</u>
	1,210,052	1,022,641
Accreditation		
Iowa Department of Management	-	25,000
Polk County	12,346	25,586
Scott County	-	48,173
Conference income	75,172	61,397
Membership dues	31,281	35,476
Investment (loss)	(17,727)	(5,232)
Miscellaneous	<u>4,216</u>	<u>3,305</u>
Total revenue	<u>1,315,340</u>	<u>1,216,346</u>
EXPENSES		
Program services—education and training	1,175,933	1,092,228
Supporting services—management and general	<u>163,046</u>	<u>113,214</u>
Total expenses	<u>1,338,979</u>	<u>1,205,442</u>
CHANGE IN NET ASSETS	(23,639)	10,904
NET ASSETS, beginning	<u>157,192</u>	<u>146,288</u>
NET ASSETS, ending	<u>\$ 133,553</u>	<u>\$ 157,192</u>

See Notes to Financial Statements.

Iowa Association for the Education of Young Children
STATEMENT OF CASH FLOWS
Year ended June 30, 2009, with comparative totals for 2008

	Year ended June 30	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (23,639)	\$ 10,904
Adjustments to reconcile change in net assets to net cash flows (used in) operating activities		
Changes in unrealized losses	23,101	17,875
Changes in assets and liabilities		
(Increase) in accounts receivable	(91,065)	(214,738)
(Increase) decrease in prepaid expenses	(1,107)	4,045
Increase (decrease) in accounts payable	95,105	(10,378)
Increase in accrued expenses	4,308	12,099
Increase (decrease) in deferred revenue	<u>(126,174)</u>	<u>34,868</u>
Net cash (used in) operating activities	<u>(119,471)</u>	<u>(145,325)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of note payable	<u>50,000</u>	<u>—</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	75,003	—
Purchases of investments	<u>(12,848)</u>	<u>(79,210)</u>
Net cash provided by (used in) investing activities	<u>62,155</u>	<u>(79,210)</u>
 NET (DECREASE) IN CASH	(7,316)	(224,535)
 CASH		
Beginning	<u>31,924</u>	<u>256,459</u>
Ending	<u>\$ 24,608</u>	<u>\$ 31,924</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 Financial Accounting Standards Board in its Statement of Financial Accounting Standards, SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 year ended June 30, 2009.

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.

Income Taxes

The Association is exempt from federal income taxes under applicable provisions of the Internal Revenue Code. The Association has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, to the fiscal year beginning July 1, 2009. Currently, the Association evaluates uncertain tax positions in accordance with the standard described in Treasury Regulations, which is less stringent than the standard required by the FASB Interpretation.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk

The Association has amounts on deposit with a financial institution in excess of FDIC insurance limits at various times throughout the year.

NOTE 2 INVESTMENTS

The Association's investments are as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Money market funds	\$ 9,605	\$ 8,229
Certificate of deposit	-	66,667
Mutual funds	<u>79,480</u>	<u>99,445</u>
Totals	<u>\$ 89,085</u>	<u>\$ 174,341</u>

Investment (loss) consisted of the following:

	<u>Year ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 5,374	\$ 12,643
Changes in unrealized (losses)	<u>(23,101)</u>	<u>(17,875)</u>
Totals	<u>\$ (17,727)</u>	<u>\$ (5,232)</u>

NOTE 3 NOTE PAYABLE

Note payable consists of a line of credit with a bank providing a maximum credit limit of \$50,000, under which \$50,000 was outstanding at June 30, 2009. The agreement, which expires March, 2010, carries interest at the prime rate. The rate of interest was 3.25% at June 30, 2009. The agreement is secured by virtually all assets of the Association.

NOTE 4 COMPARATIVE AMOUNTS

The amounts shown for 2008 in the accompanying financial statements are included to provide a basis for comparison with 2009 and are not intended to present all information necessary for a fair presentation of the 2008 financial statements in conformity with generally accepted accounting principles.

NOTE 5 SUBSEQUENT EVENTS

The Association has evaluated subsequent events through October 9, 2009, the date which the financial statements were available to be issued. There were no subsequent events that required disclosure.

Iowa Association for the Education of Young Children
SCHEDULE OF EXPENSES
Year ended June 30, 2009, with comparative totals for 2008

	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>	
	<u>Education and training</u>	<u>Management and general</u>	<u>2009</u>	<u>2008</u>
Salaries and related benefits	\$ 276,035	\$ 112,748	\$ 388,783	\$ 284,699
Scholarships				
TEACH program	595,105	-	595,105	556,819
Other	48,980	-	48,980	28,915
Travel				
TEACH program	67,263	-	67,263	64,996
Other	26,552	10,888	37,440	18,857
Contracted services	21,705	-	21,705	59,454
Continuing education	5,104	-	5,104	4,448
Rent	20,981	-	20,981	20,570
Utilities	-	2,693	2,693	2,354
Supplies	6,025	1,506	7,531	13,172
Printing and publications	4,004	11,720	15,724	16,861
Postage	458	6,368	6,826	8,184
Telephone	38	7,148	7,186	7,555
Minor equipment	7,353	1,838	9,191	22,848
Conference costs	20,408	-	20,408	32,853
Meetings	7,398	251	7,649	6,044
Promotion costs	15,481	-	15,481	17,635
Professional fees	12,200	-	12,200	8,300
Insurance	-	5,234	5,234	4,941
Rebates	5,485	-	5,485	5,834
Dues	120	-	120	429
Provision for bad debts	33,413	-	33,413	16,746
Interest	343	-	343	-
Miscellaneous	<u>1,482</u>	<u>2,652</u>	<u>4,134</u>	<u>2,928</u>
Total	<u>\$1,175,933</u>	<u>\$ 163,046</u>	<u>\$1,338,979</u>	<u>\$1,205,442</u>

See Independent Auditor's Report and Note to Schedule of Expenditures of Federal Awards.

**Iowa Association for the Education of Young Children
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009**

<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	\$ 435,000
<i>Passed through State of Iowa Department of Management, passed through Polk County Empowerment, T080081</i>			
	93.575	Childcare & Development Fund, Discretionary	<u>115,000</u>
Total expenditures of federal awards			<u>\$ 550,000</u>

See Independent Auditor's Report and Note to Schedule of Expenditures of Federal Awards.

Iowa Association for the Education of Young Children
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

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, 2009 and have issued our report thereon dated October 9, 2009. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Association's financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 9, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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, 2009. 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, 2009.

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, 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 control deficiency in the Association's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Association's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Association's internal control.

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 that might be 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 9, 2009

**Iowa Association for the Education of Young Children
SCHEDULE OF FINDINGS
Year ended June 30, 2009**

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- (a) An unqualified opinion was issued on the financial statements.
- (b) No significant deficiencies 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 significant deficiencies 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—FINANCIAL STATEMENT FINDINGS

None.

SECTION III—FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.