

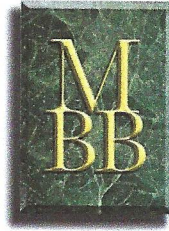
Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

31 MAY 2017



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 31 May 2017, 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 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 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAEYC as of 31 May 2017 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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* (Uniform Guidance), 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 2 November 2017, on our consideration of TAEYC'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 TAEYC's internal control over financial reporting and compliance.

Montemayor Britton Bender PC

2 November 2017
Austin, Texas

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION

31 MAY 2017

ASSETS

CURRENT ASSETS

Cash	\$415,808
Federal awards receivable	107,328
State awards and other receivables	<u>26,120</u>
	<u>\$549,256</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$139,624
Accrued liabilities	18,228
Deferred revenue	<u>44,204</u>
	<u>202,056</u>

NET ASSETS

Unrestricted net assets	306,077
Net assets temporarily restricted for TEACH program scholarships	<u>41,123</u>
	<u>347,200</u>
	<u>\$549,256</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 31 MAY 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Federal awards	\$1,094,250	\$0	\$1,094,250
Conference	201,361	0	201,361
Membership income	73,313	0	73,313
Contributions	29,400	28,500	57,900
Program income	13,752	0	13,752
Other income	26,900	0	26,900
Released from restrictions	<u>52,696</u>	<u>(52,696)</u>	<u>0</u>
	<u>1,491,672</u>	<u>(24,196)</u>	<u>1,467,476</u>
EXPENSES			
Professional services	696,507	0	696,507
Personnel	230,624	0	230,624
Teach costs	198,293	0	198,293
Conference cost	57,043	0	57,043
Travel	50,311	0	50,311
Food and beverage	34,778	0	34,778
Audio/visual expense	31,996	0	31,996
Advertising	27,303	0	27,303
Web/technology	23,583	0	23,583
Accounting fees	19,377	0	19,377
Program materials	14,447	0	14,447
Printing/duplication	12,586	0	12,586
Miscellaneous expense	<u>72,808</u>	<u>0</u>	<u>72,808</u>
	<u>1,469,656</u>	<u>0</u>	<u>1,469,656</u>
CHANGE IN NET ASSETS	22,016	(24,196)	(2,180)
BEGINNING NET ASSETS	<u>284,061</u>	<u>65,319</u>	<u>349,380</u>
ENDING NET ASSETS	<u>\$306,077</u>	<u>\$41,123</u>	<u>\$347,200</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 31 MAY 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$2,180)
Change in receivables	(86,516)
Change in accounts payable	96,509
Change in accrued liabilities	4,818
Change in deferred revenue	<u>13,480</u>
NET CHANGE IN CASH	26,111
BEGINNING CASH	<u>389,697</u>
ENDING CASH	<u>\$415,808</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.

ACCOUNTS RECEIVABLE

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

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. TAEYC's property and equipment is fully depreciated at 31 May 2017.

REVENUE

Membership dues are recognized as revenue in the year in which they relate. 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.

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 31 May 2017 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 31 May 2015.

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: LEASES

TAEYC conducts its operations in a leased facility. Rent expense was approximately \$11,400 for the year ending 31 May 2017. The lease agreement requires monthly payments of \$1,365 until 31 May 2018.

NOTE 4: CONCENTRATION

One grantor provided 68% of total revenue.

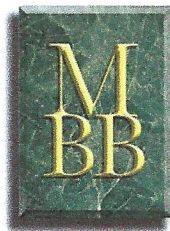
NOTE 5: COMMITMENTS AND CONTINGENCIES

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 to be held in 2017 through 2019. 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 31 May 2017, TAEYC's commitment under these contracts was approximately \$208,000.

NOTE 6: FUNCTIONAL EXPENSE

Program	\$1,357,317
Administrative	<u>112,339</u>
	<u>\$1,469,656</u>



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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*

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 Texas Association for the Education of Young Children, Inc. (TAEYC) which comprise the statement of financial position as of 31 May 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated 2 November 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TAEYC'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 TAEYC's internal control. Accordingly, we do not express an opinion of the effectiveness of TAEYC'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 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 TAEYC'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Montemayor Britton Bender PC

2 November 2017
Austin, Texas



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Texas Association for the Education of Young Children, Inc.'s (TAEYC) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of TAEYC's major federal programs for the year ended 31 May 2017. TAEYC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, contracts, and 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 each of TAEYC's major federal programs 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 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* (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 TAEYC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TAEYC's compliance.



Opinion on Each Major Federal Program

In our opinion, TAEYC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended 31 May 2017.

Report on Internal Control Over Compliance

Management of TAEYC 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 TAEYC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 TAEYC'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 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 the 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 the testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montemayor Britton Bender PC

2 November 2017
Austin, Texas

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED 31 MAY 2017

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Federal CFDA Number	Contract Number	Expenses
Department of Health and Human Services:			
Passed through Texas Workforce Commission:			
Professional Development Scholarship Program for Early Childhood Prof. - Phase II	93.575	2916CCCF000	\$246,095
*Early Childhood Assessment Pilot Project	93.575	2914CCQ004	748,466
Passed through Houston - Galveston Area Council:			
Early Education and Care Quality FY17 Contract	93.575	305-17	47,990
Passed through Capital Area Workforce:			
TEACH WF2017	93.575	1417CCM006	337
Passed through Texas Department of State Health Services:			
Healthy Child Care Texas	93.994	2016-048355-001	<u>51,362</u>
			<u>\$1,094,250</u>

*\$636,563 of these funds were passed through to the subrecipient, Teaching Strategies, LLC. This schedule is prepared on the same basis of accounting as described in the notes to the financial statements on pages 6 through 8. TAEYC did not elect to use the 10% de minimus indirect cost rate.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED 31 MAY 2017

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness (es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered material weaknesses? | None noted |
| c. Noncompliance material to financial statements noted? | None |

B. FEDERAL AWARDS

- | | |
|--|-----------------|
| 1. Internal controls over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(s) identified that are not considered material weakness(es)? | None noted |
| 2. Type of auditor's report issued on compliance with major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 4. Major program: Grants received from the Department of Health and Human Services passed through various agencies | CFDA
#93.575 |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | No |

II. FINANCIAL STATEMENT FINDINGS

1. Current year – none
2. Prior year – none

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted