



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 2020



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. (TXAEYC), which comprise the statement of financial position as of 31 May 2020 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 TXAEYC as of 31 May 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Montemayor Britton Bender PC

3 December 2020
Austin, Texas

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION

31 MAY 2020

ASSETS

CURRENT ASSETS

Cash	\$394,971
Government awards and other receivables	231,492
Other current assets	<u>15,438</u>
	<u>\$641,901</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$46,284
Accrued liabilities	57,255
Deferred revenue	<u>28,354</u>
	<u>131,893</u>

NET ASSETS

Without donor restrictions - undesignated	495,800
With donor restrictions - TEACH program	<u>14,208</u>
	<u>510,008</u>
	<u>\$641,901</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 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Federal awards	\$572,904	\$0	\$572,904
Fee for service contracts	470,407	0	470,407
State and local awards	326,917	0	326,917
Registration fee	232,921	0	232,921
Membership income	72,967	0	72,967
CDA fees and training	35,507	0	35,507
Exhibit fee	17,985	0	17,985
Sponsorship income	13,050	0	13,050
Other income	41,248	10,100	51,348
Released from restrictions	<u>16,989</u>	<u>(16,989)</u>	<u>0</u>
	<u>1,800,895</u>	<u>(6,889)</u>	<u>1,794,006</u>
EXPENSES			
Program	1,630,628	0	1,630,628
Administrative	<u>256,641</u>	<u>0</u>	<u>256,641</u>
	<u>1,887,269</u>	<u>0</u>	<u>1,887,269</u>
CHANGE IN NET ASSETS	(86,374)	(6,889)	(93,263)
BEGINNING NET ASSETS	<u>582,174</u>	<u>21,097</u>	<u>603,271</u>
ENDING NET ASSETS	<u>\$495,800</u>	<u>\$14,208</u>	<u>\$510,008</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 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$93,263)
Change in government awards and other receivables	39,932
Change in other current assets	3,433
Change in accounts payable	(101,434)
Change in accrued liabilities	<u>1,830</u>
NET CHANGE IN CASH	(149,502)
BEGINNING CASH	<u>544,473</u>
ENDING CASH	<u>\$394,971</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. (TXAEYC) 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.

TXAEYC 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, TXAEYC 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

FINANCIAL STATEMENT PRESENTATION

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of TXAEYC and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

ACCOUNTS RECEIVABLE

TXAEYC considers all grants receivables 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

FIXED ASSETS

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. TXAEYC has no fixed assets 31 May 2020.

REVENUE AND REVENUE RECOGNITION

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The advance payments TXAEYC receives are accounted for as deferred revenue in the accompanying statement of financial position.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, committee, printing and duplication, office lease, food and beverage, postage and shipping and other expenses which are allocated based on estimates of time and effort.

SUBSEQUENT EVENTS

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

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INCOME TAXES

TXAEYC 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. TXAEYC's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At 31 May 2020 no interest and penalties have been or are required to be accrued.

NOTE 3: LEASES

TXAEYC conducts its operations in a leased facility. Rent expense was approximately \$21,000 for the year ending 31 May 2020. This lease agreement requires monthly payments of \$1,999 until 31 August 2020. TXAEYC entered into a new lease agreement in September 2020 requiring monthly payments of \$1,999 until August 2021.

NOTE 4: COMMITMENTS AND CONTINGENCIES

TXAEYC 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, TXAEYC may be required to refund any disallowed costs. Management does not believe any instances of substantial noncompliance exist.

TXAEYC has entered into various contracts with hotels to provide hotel guest rooms and meeting space for conferences to be held in 2020 through 2022. TXAEYC 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 2020, TXAEYC's commitment under these contracts was approximately \$230,873.

NOTE 5: CHANGE IN ACCOUNTING PRINCIPLE

On 21 June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and determining whether a contribution is conditional. TXAEYC has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. ASU 2018-08 was applied using the modified prospective basis as of 1 January 2019.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CONCENTRATIONS

One grantor provided 50% of total revenue and 54% of accounts receivable.

NOTE 7: FUNCTIONAL EXPENSE

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Professional service subcontract	\$583,702	\$0	\$583,702
Personnel	350,820	178,720	529,540
Conference cost	107,901	0	107,901
Teach cost	272,953	0	272,953
Professional service	121,872	0	121,872
Travel	44,233	0	44,233
Web/technology	34,654	0	34,654
Audio/visual	30,077	0	30,077
Accounting fees	0	12,624	12,624
Committee	4,277	2,179	6,456
Printing and duplication	12,444	6,339	18,783
Office lease	13,963	7,113	21,076
Food and beverage	6,895	3,513	10,408
Outreach advertising	17,159	0	17,159
Postage and shipping	4,987	2,540	7,527
Other	<u>24,691</u>	<u>43,613</u>	<u>68,304</u>
	<u>\$1,630,628</u>	<u>\$256,641</u>	<u>\$1,887,269</u>

NOTE 8: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$394,971
Government awards and other receivables	<u>231,492</u>
	<u>\$626,463</u>

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: LIQUIDITY AND AVAILABILITY

As part of TXAEYC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from TXAEYC's operating accounts.