



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 2022



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Texas Association for the Education of Young Children, Inc. (TXAEYC), a nonprofit organization, which comprise the statement of financial position as of 31 May 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TXAEYC as of 31 May 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TXAEYC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Error

As discussed in Note 8 to the financial statements, certain errors resulted in the understatement of amounts previously reported for accounts payable as of 31 May 2021. Accordingly, an adjustment has been made to net assets without donor restrictions as of 31 May 2021 to correct these errors. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TXAEYC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TXAEYC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TXAEYC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Supplementary Information

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 (page 18), 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 3 January 2023 on our consideration of TXAEYC'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 solely 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 effectiveness of TXAEYC's 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 TXAEYC's internal control over financial reporting and compliance.

3 January 2023
Austin, Texas

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION

31 MAY 2022

ASSETS

CURRENT ASSETS

Cash	\$240,660
Federal awards receivable	249,164
State and local government awards receivable	69,184
Other receivables	51,122
Security deposit, prepaid expenses, and other	<u>25,393</u>
	<u>\$635,523</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$148,746
Accrued liabilities	56,363
Deferred membership revenue	<u>30,724</u>
	<u>235,833</u>

NET ASSETS

Without donor restrictions - undesignated	381,382
With donor restrictions - TEACH program	<u>18,308</u>
	<u>399,690</u>
	<u>\$635,523</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 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Federal awards	\$2,009,676	\$0	\$2,009,676
State and local government awards	445,809	0	445,809
Registration fees	203,596	0	203,596
Sponsorships	86,140	0	86,140
Membership fees	54,399	0	54,399
Other grants and donations	76,606	20,000	96,606
Net assets released from restrictions for TEACH program	<u>22,500</u>	<u>(22,500)</u>	<u>0</u>
	<u>2,898,726</u>	<u>(2,500)</u>	<u>2,896,226</u>
EXPENSES			
Program	2,706,093	0	2,706,093
Administrative	<u>285,958</u>	<u>0</u>	<u>285,958</u>
	<u>2,992,051</u>	<u>0</u>	<u>2,992,051</u>
CHANGE IN NET ASSETS	(93,325)	(2,500)	(95,825)
BEGINNING NET ASSETS	<u>474,707</u>	<u>20,808</u>	<u>495,515</u>
ENDING NET ASSETS	<u>\$381,382</u>	<u>\$18,308</u>	<u>\$399,690</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 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$95,825)
Change in federal awards receivable	(122,143)
Change in state and local government awards receivable	8,550
Change in other receivables	(35,617)
Change in other current assets	(15,575)
Change in accounts payable	(78,687)
Change in accrued liabilities	<u>(5,663)</u>
NET CHANGE IN CASH	(344,960)
BEGINNING CASH	<u>585,620</u>
ENDING CASH	<u>\$240,660</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 more than 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. TXAEYC is primarily funded through governmental awards and conference registration fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

Net assets and revenues, 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.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RECEIVABLES

TXAEYC considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

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 as of 31 May 2022.

REVENUE AND REVENUE RECOGNITION

A significant portion of TXAEYC's revenue is derived from cost-reimbursement government grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when TXAEYC has incurred expenditures in compliance with specific contract provisions. Cash amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. There were no refundable advances at year-end. TXAEYC has been awarded cost reimbursable grants of \$315,604 that have not been recognized as revenue at 31 May 2022 because qualifying expenditures have not been incurred.

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. Event sponsorships are treated as contributions.

Event registration fees are recognized at a point in time, when the event occurs. Payments are received either in advance or on the day of the event. The advance payments TXAEYC receives before the event are accounted for as deferred revenue until the date of the event. As of year end, there was no deferred revenue related to registration fees.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE AND REVENUE RECOGNITION

TXAEYC recognizes revenue from member dues over the membership period, which is generally one year. The performance obligations consist of providing members with conference and training discounts, Early Years Journal, access to members-only events, advocacy, newsletter and access to staff support. Revenue from member dues are recognized ratably as services are simultaneously received and consumed by the members.

Payments are typically received in advance of the membership period to which they relate. Due to the nature and timing of the performance, substantially all contract liabilities remaining at year end are recognized in the following year.

In general, revenue does not have a significant financing component because payment terms are relatively short.

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 payroll and related, supplies and materials, training and technical services, contracted advocacy services, office rent and utilities, licenses and subscriptions, outreach and recruitment, staff development, 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.

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 2022 no interest and penalties have been or are required to be accrued.

NOTE 3: CONCENTRATIONS

One grantor provided 58% of total revenue and 51% of receivables.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: LEASES

TXAEYC conducts its operations in a leased facility. Rent expense was approximately \$36,000 for the year ending 31 May 2022. This lease agreement requires monthly payments between \$5,424 and \$5,730 until 31 April 2024. Future minimum lease payments under the lease are:

2023	\$66,718
2024	67,076
2025	<u>63,027</u>
	<u>\$196,821</u>

NOTE 5: REVENUE FROM CONTRACTS WITH CUSTOMERS

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates TXAEYC's revenue based on the timing of satisfaction of performance obligations for the year ended 31 May 2022.

Performance obligations satisfied at a point in time	<u>\$203,596</u>
Performance obligations satisfied over time	<u>\$54,399</u>

CONTRACT BALANCES

Deferred revenue from contracts with customers relates to amounts paid by customers for services to be provided in future periods. TXAEYC had deferred revenue related to memberships dues of \$30,724 at 31 May 2022 and 31 May 2021.

TXAEYC has elected to apply the exemption for disclosing the allocation of the remaining performance obligations because the performance obligations are part of a contract that has an original expected duration of one year or less.

NOTE 6: 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.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6: COMMITMENTS AND CONTINGENCIES

TXAEYC has entered into various contracts with hotels to provide hotel guest rooms and meeting space for conferences to be held in 2022, 2023, and 2024. 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 2022, TXAEYC's commitment under these contracts was \$282,802.

NOTE 7: 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	\$240,660
Federal awards receivable	249,164
State and local government awards receivable	69,184
Other receivables	51,122
Less: Amounts unavailable for general expenditure within one year, due to donor imposed restrictions for the TEACH program	<u>(18,308)</u>
	<u>\$591,822</u>

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.

NOTE 8: PRIOR PERIOD ADJUSTMENT

Accounts payable was understated by \$85,314 as of 31 May 2021 and net assets without donor restrictions was overstated by this same amount. A prior period adjustment has been posted to beginning net assets without donor restrictions. The change in net assets without donor restrictions for the year ended 31 May 2021 was decreased by \$85,314 as a result of this adjustment.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9: FUNCTIONAL EXPENSE

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Subcontracted services	\$844,707	\$0	\$844,707
Payroll and related	665,984	174,317	840,301
Program scholarships, awards and support	516,904	0	516,904
Supplies and materials	177,711	35,628	213,339
Training and technical assistance	130,735	26,210	156,945
Conference and training	121,635	0	121,635
Contracted advocacy services	67,827	13,598	81,425
Office rent and utilities	27,093	5,432	32,525
IT and phone services	23,405	4,692	28,097
Licenses and subscriptions	19,998	4,009	24,007
Outreach and recruitment	16,627	3,333	19,960
Staff development	11,676	2,341	14,017
Other	<u>81,791</u>	<u>16,398</u>	<u>98,189</u>
	<u>\$2,706,093</u>	<u>\$285,958</u>	<u>\$2,992,051</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. (TXAEYC), which comprise the statement of financial position as of 31 May 2022, and the related statements of activities, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated 3 January 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TXAEYC's internal control over financial reporting (internal control) as a basis for designing 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 TXAEYC's internal control. Accordingly, we do not express an opinion on the effectiveness of TXAEYC'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TXAEYC'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 financial statements. 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 TXAEYC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TXAEYC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

3 January 2023
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 THE UNIFORM GUIDANCE

A. Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Texas Association for the Education of Young Children, Inc.'s (TXAEYC) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of TXAEYC's major federal program for the year ended 31 May 2022. TXAEYC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, TXAEYC 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 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of TXAEYC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of TXAEYC's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to TXAEYC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on TXAEYC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about TXAEYC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding TXAEYC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of TXAEYC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 TXAEYC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

B. Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

3 January 2023
Austin, Texas

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED 31 MAY 2022

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services:			
Passed through Texas Workforce Commission:			
COVID 19 - Professional Development Scholarship Program for Early Childhood Professional Phase III	93.575	2920CCQ008	\$874,793
Planning for Individualized Instruction	93.575	2921CCQ001	801,553
Child Care Staff Retention Strategies	93.575	2920CCQ007	4,698
Passed through Texas Education Agency:			
Regional Early Childhood Education Support Specialist- year 3	93.575	2803711007	<u>169,863</u>
			<u>1,850,907</u>
U.S. Department of Education:			
Passed through Texas Education Agency:			
Texas Reading Initiative-Birth to Kinder	84.371C	21647001711001	<u>158,769</u>
			<u>\$2,009,676</u>

NOTE 1: This schedule is prepared using the same policies as the financial statements. See the notes to the financial statements on pages 7 through 11.

NOTE 2: TXAEYC did not elect to use the 10% de minimis indirect cost rate.

See independent auditor's report.

TEXAS ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED 31 MAY 2022

A. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	None noted
Significant deficiency(ies) identified that are not considered material weaknesses?	None noted
Noncompliance material to financial statements noted?	None noted

FEDERAL AWARDS

Internal controls over major programs:	
Material weakness(es) identified?	None noted
Significant deficiency(s) identified that are not considered material weakness(es)?	None noted
Type of auditor's report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	None noted
Major program:	Assistance Listing Number 93.575
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

B. FINANCIAL STATEMENT FINDINGS

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

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted