



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B53810

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa


November 22, 2019

Board of Directors
Indiana Association for the Education of Young Children
4755 Kingsway Drive
Indianapolis, IN 46205

We have reviewed the audit report of Indiana Association for the Education of Young Children which was opined upon by Crowe Horwath LLP, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Indiana Association for the Education of Young Children as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe Horwath LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

**INDIANA ASSOCIATION FOR THE
EDUCATION OF YOUNG CHILDREN**

FINANCIAL STATEMENTS

June 30, 2017 and 2016

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

Indianapolis, Indiana

FINANCIAL STATEMENTS

June 30, 2017 and 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTAL INFORMATION	
SCHEDULE OF FUNCTIONAL EXPENSES – 2017	12
SCHEDULE OF FUNCTIONAL EXPENSES – 2016	13
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	14
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	16
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	20
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	21

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indiana Association for the Education of Young Children
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Indiana Association for the Education of Young Children ("Indiana AEYC") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Indiana Association for the Education of Young Children as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were 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*, and the accompanying schedules of functional expenses are presented for the purposes of additional analysis and are 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 audits of the financial statements and certain other 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 November 15, 2017 on our consideration of Indiana AEYC'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 Indiana AEYC's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 15, 2017

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash:		
Association	\$ 457,004	\$ 409,247
Chapters	<u>103,416</u>	<u>95,437</u>
Total cash	560,420	504,684
Grant reimbursement and other receivables	1,049,590	1,093,055
Furniture and equipment (net of accumulated depreciation of \$122,467 and \$109,253 for 2017 and 2016)	31,443	30,662
Other assets	<u>915</u>	<u>2,793</u>
Total assets	<u>\$ 1,642,368</u>	<u>\$ 1,631,194</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 492,349	\$ 509,530
Accrued payroll	106,059	102,668
Deferred contract revenue	55,251	62,734
Deferred membership dues	26,546	27,274
Deferred conference revenue	<u>2,652</u>	<u>1,375</u>
Total liabilities	<u>682,857</u>	<u>703,581</u>
NET ASSETS		
Unrestricted (includes Board Designated amounts totaling \$49,511 and \$41,642 for 2017 and 2016, respectively)	949,511	917,613
Temporarily restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>959,511</u>	<u>927,613</u>
Total liabilities and net assets	<u>\$ 1,642,368</u>	<u>\$ 1,631,194</u>

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	<u>Association</u>	<u>T.E.A.C.H.</u>	<u>Accreditation Project</u>	<u>Non-Formal CDA Project</u>	<u>Other Programs</u>	<u>Unrestricted Total</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues								
Membership dues	\$ 56,863	\$ -	\$ -	\$ -	\$ -	\$ 56,863	\$ -	\$ 56,863
Grants - federal	-	2,452,532	2,398,000	555,277	34,398	5,440,207	-	5,440,207
Contract revenue	-	327,773	-	-	52,905	380,678	-	380,678
Contributions	21,289	-	-	-	-	21,289	-	21,289
Scholarship sponsors	-	277,084	-	-	-	277,084	-	277,084
Conference fees	279,660	-	-	-	-	279,660	-	279,660
Other	116,968	-	-	12,000	80,924	209,892	-	209,892
Total revenues	<u>474,780</u>	<u>3,057,389</u>	<u>2,398,000</u>	<u>567,277</u>	<u>168,227</u>	<u>6,665,673</u>	<u>-</u>	<u>6,665,673</u>
Expenses								
Program services								
Grant funded projects	-	2,867,453	2,139,978	536,324	115,766	5,659,521	-	5,659,521
State Conference program	175,968	-	-	-	-	175,968	-	175,968
Member services	8,187	-	-	-	-	8,187	-	8,187
Other programs	16,288	-	-	-	-	16,288	-	16,288
Local chapters	16,508	-	-	-	-	16,508	-	16,508
Dues to chapters	7,990	-	-	-	-	7,990	-	7,990
Total program services	<u>224,941</u>	<u>2,867,453</u>	<u>2,139,978</u>	<u>536,324</u>	<u>115,766</u>	<u>5,884,462</u>	<u>-</u>	<u>5,884,462</u>
Management and general	<u>218,539</u>	<u>243,034</u>	<u>258,219</u>	<u>29,521</u>	<u>-</u>	<u>749,313</u>	<u>-</u>	<u>749,313</u>
Total expenses	<u>443,480</u>	<u>3,110,487</u>	<u>2,398,197</u>	<u>565,845</u>	<u>115,766</u>	<u>6,633,775</u>	<u>-</u>	<u>6,633,775</u>
Change in net assets	31,300	(53,098)	(197)	1,432	52,461	31,898	-	31,898
Net assets, beginning of year	<u>934,109</u>	<u>42,412</u>	<u>(47,094)</u>	<u>(13,295)</u>	<u>1,481</u>	<u>917,613</u>	<u>10,000</u>	<u>927,613</u>
Net assets, end of year	<u>\$ 965,409</u>	<u>\$ (10,686)</u>	<u>\$ (47,291)</u>	<u>\$ (11,863)</u>	<u>\$ 53,942</u>	<u>\$ 949,511</u>	<u>\$ 10,000</u>	<u>\$ 959,511</u>

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	<u>Association</u>	<u>T.E.A.C.H.</u>	<u>Accreditation Project</u>	<u>Non-Formal CDA Project</u>	<u>Other Programs</u>	<u>Unrestricted Total</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues								
Membership dues	\$ 43,739	\$ -	\$ -	\$ -	\$ -	\$ 43,739	\$ -	\$ 43,739
Grants - federal	-	2,394,995	2,296,455	546,667	74,129	5,312,246	-	5,312,246
Contract revenue	-	108,278			17,008	125,286	-	125,286
Contributions	16,236	-	-	-	-	16,236	-	16,236
Scholarship sponsors	-	315,131	-	-	-	315,131	-	315,131
Conference fees	283,635	-	-	-	-	283,635	-	283,635
Other	64,186	-	-	9,175	26,853	100,214	-	100,214
Total revenues	<u>407,796</u>	<u>2,818,404</u>	<u>2,296,455</u>	<u>555,842</u>	<u>117,990</u>	<u>6,196,487</u>	<u>-</u>	<u>6,196,487</u>
Expenses								
Program services								
Grant funded projects	-	2,576,325	2,047,295	526,092	105,568	5,255,280	-	5,255,280
State Conference program	156,625	-	-	-	-	156,625	-	156,625
Member services	5,082	-	-	-	-	5,082	-	5,082
Other programs	16,581	-	-	-	-	16,581	-	16,581
Local chapters	31,779	-	-	-	-	31,779	-	31,779
Dues to chapters	9,770	-	-	-	-	9,770	-	9,770
Total program services	<u>219,837</u>	<u>2,576,325</u>	<u>2,047,295</u>	<u>526,092</u>	<u>105,568</u>	<u>5,475,117</u>	<u>-</u>	<u>5,475,117</u>
Management and general	184,192	241,194	256,321	34,267	1,408	717,382	-	717,382
Total expenses	<u>404,029</u>	<u>2,817,519</u>	<u>2,303,616</u>	<u>560,359</u>	<u>106,976</u>	<u>6,192,499</u>	<u>-</u>	<u>6,192,499</u>
Change in net assets	3,767	885	(7,161)	(4,517)	11,014	3,988	-	3,988
Net assets, beginning of year	<u>930,342</u>	<u>41,527</u>	<u>(39,933)</u>	<u>(8,778)</u>	<u>(9,533)</u>	<u>913,625</u>	<u>10,000</u>	<u>923,625</u>
Net assets, end of year	<u>\$ 934,109</u>	<u>\$ 42,412</u>	<u>\$ (47,094)</u>	<u>\$ (13,295)</u>	<u>\$ 1,481</u>	<u>\$ 917,613</u>	<u>\$ 10,000</u>	<u>\$ 927,613</u>

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 31,898	\$ 3,988
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	13,213	10,567
Changes in assets and liabilities:		
Grant reimbursement and other receivables	43,465	(62,936)
Other assets	1,878	494
Accounts payable	(17,181)	38,524
Accrued payroll	3,391	832
Deferred revenue	<u>(6,934)</u>	<u>67,581</u>
Net cash from operating activities	<u>69,730</u>	<u>59,050</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(13,994)</u>	<u>-</u>
Net cash from investing activities	<u>(13,994)</u>	<u>-</u>
Net change in cash	55,736	59,050
Cash, beginning of year	<u>504,684</u>	<u>445,634</u>
Cash, end of year	<u>\$ 560,420</u>	<u>\$ 504,684</u>

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2017 and 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Programs: Indiana Association for the Education of Young Children (“Indiana AEYC”) was incorporated as a not-for-profit organization under the laws of the State of Indiana. It was established to promote and support quality care and education for children. The organization is dedicated to improving early childhood education and recognizes high quality programs so that parents can make informed choices. During the years ended June 30, 2017 and 2016, Indiana AEYC provided the following program services:

- Indiana Early Childhood Conference – The annual Indiana Early Childhood Conference is the largest statewide conference providing over 200 workshops linked to core knowledge and competencies for over 3,500 early childhood professionals in Indiana.
- T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood® INDIANA project – provides credit-based scholarships to the early childhood workforce to increase skills and knowledge, compensation and decrease turn over. Scholarships are provided to support the CDA (Child Development Associate Credential) training and assessment and the Early Childhood Associate and Bachelor degrees.
- Accreditation Project – The Indiana Accreditation Project supports national accreditation to increase the quality of early childhood and out of school learning programs. The Indiana Accreditation Project provides technical and financial support for early childhood programs enrolled in the Paths To QUALITY™ (Indiana’s quality rating and improvement system) to obtain and maintain national accreditation. Early childhood and out of school facilities including child care centers, family child care homes, non-licensed registered ministries, public and private schools are eligible to participate in this project.
- Non Formal CDA (Child Development Associate) Project – The Indiana Non Formal CDA Project provides 120 clock hours of training to meet the national CDA credential requirements. Early childhood educators working in child care centers, registered ministries and family child care homes are eligible to attend Non Formal CDA classes.
- Early Childhood Workforce and Professional Development Systems – Indiana AEYC completed the revision of the Core Knowledge and Competencies for Early Childhood and Out of School Learning Professionals. Indiana AEYC completed the Indiana Early Childhood Coaching Competencies and Inventory of Credentials, Certificates and Degrees for Early Childhood and Out of School Learning Professionals. Indiana AEYC is engaged in multiple workforce initiatives,

Local Chapters: Sixteen local chapters are chartered under the auspices of Indiana AEYC. These chapters are legal subsidiaries of Indiana AEYC and are included in the financial statements. Each chapter maintains its own bank account.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Tax Status: Indiana AEYC is exempt from federal and Indiana income taxes under Section 501(c)(3) of the U. S. Internal Revenue Code and is not considered to be a private foundation.

(Continued)

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2017 and 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Guidance issued by the Financial Accounting Standards Board (“FASB”) requires the Indiana AEYC to recognize a tax benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Indiana AEYC has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions.

Indiana AEYC does not expect the total amount of unrecognized tax liabilities to significantly change in the next 12 months. Indiana AEYC recognizes interest and/or penalties related to income tax matters in income tax expense. Indiana AEYC did not have any amounts accrued for interest and penalties at June 30, 2017 and 2016.

Cash: Cash consists of bank deposits in accounts that are federally insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. As of June 30, 2017 and 2016, Indiana AEYC has deposits with financial institutions exceeding the FDIC limit by \$122,060 and \$29,541, respectively.

Grants Reimbursement and Other Receivables: Indiana AEYC’s grant reimbursement and other receivable balances consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts. Interest is not charged on outstanding receivables.

Allowance For Uncollectible Accounts: The allowance for uncollectible accounts is determined by management based upon Indiana AEYC’s historical losses, specific circumstances and general economic conditions. At June 30, 2017 and 2016, management estimated that no allowance was needed.

Furniture and Equipment: Expenditures greater than \$500 for furniture and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Indiana AEYC provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Furniture and equipment	5-7

Equipment acquired with government grants has been capitalized for financial statement purposes but was expensed by Indiana AEYC for grant reporting purposes. If program services are discontinued, disposition of fixed assets acquired with federal or state funding is subject to guidelines as set forth by the grantor.

Impairment of Long-Lived Assets: In accordance with GAAP, Indiana AEYC reviews its furniture and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2017 or 2016.

Deferred Revenue: Income from membership dues is deferred when received, and recognized over the periods to which the dues relate. Conference revenues received in advance are deferred, and recognized in the period in which the conference is held.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Net Asset Classifications: The financial statements have been prepared in accordance with GAAP, which requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon the donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted. The following classes of net assets are maintained:

Unrestricted Net Assets – The unrestricted net asset class includes general and board designated net assets. The unrestricted net assets may be used at the discretion of management to support Indiana AEYC’s purposes and operations.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent the part of the net assets of Indiana AEYC resulting from contributions and other inflows of assets whose use by Indiana AEYC is limited by donor-imposed stipulations that either expire by passage of time or actions of Indiana AEYC. Temporarily restricted net assets are available for program development and implementation. At June 30, 2017 and 2016, Indiana AEYC had temporarily restricted net assets of \$10,000.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of Indiana AEYC for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. At June 30, 2017 and 2016, Indiana AEYC does not have any permanently restricted net assets.

Support and Revenues: Indiana AEYC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, Indiana AEYC reports the support as unrestricted.

Concentrations: For the years ended June 30, 2017 and 2016, revenue from federal funding sources represented approximately 82% and 85%, respectively, of Indiana AEYC’s total revenue.

Government Grants: Support funded by grants is recognized as Indiana AEYC performs the contracted services under grant agreements. Grant revenue is recognized when the eligible expenses have been incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Donated Property and Equipment: Indiana AEYC reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, Indiana AEYC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. Indiana AEYC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

(Continued)

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2017 and 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Donated Services: Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Indiana AEYC relies on the contributed services of many volunteers; however, the criteria to record the values of these services have not been met and therefore they are not recorded in the financial statements.

Functional Expenses: Expenses are allocated directly or indirectly to various program and supporting services in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. All remaining indirect costs are allocated using both statistical and non-statistical allocation methodologies.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2017, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2017. Management has performed their analysis through November 15, 2017, the date the financial statements were available to be issued.

NOTE 2 - LEASES

Indiana AEYC leases its facilities under an operating lease arrangement which expires December 31, 2017. Indiana AEYC also leases a copier which is used in the office. The copier lease expires June 2022. Rental expense for these leases included in the statements of activities for the year ended June 30, 2017 and 2016 was \$86,397 and \$84,379.

Indiana AEYC's minimum annual rental payments required under operating leases with remaining terms at June 30, 2017, are as follows:

2018	\$ 47,658
2019	4,632
2020	4,632
2021	4,632
2022	<u>4,632</u>
	<u>\$ 66,186</u>

NOTE 3 - GRANT COMMITMENTS

Indiana AEYC receives its grant support through monthly claims filed with the respective funding agency, not to exceed a limit specified in the funding agreement. The financial statements are prepared on the accrual basis; therefore, all earned portions of the grants not yet received as of June 30, 2017 have been recorded as receivables.

As of the date of this report, Indiana AEYC had signed grant contracts totaling \$1,278,808 for the period from July 1, 2017 through September 30, 2017. Subsequently, Indiana AEYC signed a grant contract totaling \$11,312,471 with \$4,174,298 for the period from October 1, 2017 through June 30, 2018, \$5,693,173 for July 1, 2018 through June 30, 2019, and \$1,445,000 for July 1, 2019 through September 30, 2019. These amounts have not been recorded as revenue but are disclosed as a commitment.

(Continued)

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
 NOTES TO FINANCIAL STATEMENTS
 Years ended June 30, 2017 and 2016

NOTE 4 - ACTIVITIES WITH RELATED PARTIES

Indiana AEYC is affiliated with the National Association for the Education of Young Children (“NAEYC”) and sixteen local chapters. NAEYC collects membership dues and remits the state and local portion to Indiana AEYC.

As part of its Non-formal CDA program, Indiana AEYC occasionally considers sub-recipient grant requests from early childhood entities with a history of providing the National Child Development Associate (CDA Training), some of whom employ members of Indiana AEYC’s Board of Directors. These Indiana Non-formal CDA grant applications are evaluated by a group that is independent of the Board, and are subject to the same criteria as all other applicants. There were no grants made to organizations that employed Board members during the years ended June 30, 2017 and 2016. During the years ended June 30, 2016, Indiana AEYC made payments of \$1,794 to Board members for their services as an instructor in the Non-formal CDA program. During June 30, 2017 no such payments were made.

NOTE 5 - EMPLOYEE BENEFITS

Indiana AEYC maintains a 401(k) defined-contribution plan for the benefit of substantially all of its full-time employees, which allows for both employee and employer contributions. Indiana AEYC’s contribution consists of a discretionary contribution of up to four percent of eligible employee compensation. Indiana AEYC’s contribution to the plan was \$78,968 and \$79,861 for 2017 and 2016, respectively.

NOTE 6 – OTHER PROGRAM REVENUES

Other programs revenues on the statement of activities are comprised of the following:

	<u>2017</u>	<u>2016</u>
Child Care Development Block Grant –		
Early Childhood Higher Education Forum	\$ 18,647	\$ 5,536
Early Childhood Higher Education Inventory	-	39,386
Professional Development System	15,751	30,486
T.E.A.C.H. National Technical Assistance Center (CCSA):		
T.E.A.C.H. Innovative Counseling	-	13,940
Partnership for Early Learners (ELI)		
Contract	52,905	17,008
Tuition and Books Income	63,119	-
National Association for the Education of Young Children (NAEYC)		
Power to the Profession	17,500	-
United Way of Allen County –		
Allen County Family Child Care Professional Development Project	-	11,634
Other	<u>305</u>	<u>-</u>
	<u>\$ 168,227</u>	<u>\$ 117,990</u>

SUPPLEMENTAL INFORMATION

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	-----Association-----										
	T.E.A.C.H.	Accreditation Project	Non- Formal CDA Project	Other Programs	State Conference	Member Services	Other Association Programs	Local Chapters	Dues to Chapters	Management and General	Total Expenses
Salaries and wages	\$ 677,321	\$ 1,285,939	\$ 245,625	\$ 32,857	\$ 36,049	\$ 5,627	\$ 5,396	\$ -	\$ -	\$ 38,305	\$ 2,327,119
Employee benefits	187,089	356,049	64,522	8,372	9,913	1,670	1,267	-	-	14,490	643,372
Total salaries and employee benefits	864,410	1,641,988	310,147	41,229	45,962	7,297	6,663	-	-	52,795	2,970,491
Programs and activities	-	538,910	222,288	15,475	110,082	-	-	15,774	-	-	902,529
Committee and program development	-	-	-	-	-	-	9,060	-	-	81,785	90,845
Scholarships	2,122,613	-	-	10,298	-	-	-	-	-	-	2,132,911
Dues paid to chapters	-	-	-	-	-	-	-	7,990	-	-	7,990
Supplies and expendables	5,419	7,989	1,347	93	1,092	-	-	66	-	801	16,807
Travel and training	8,181	99,194	4,268	15,069	1,475	-	-	-	-	64,595	192,782
Insurance	5,504	9,131	1,720	-	829	-	29	-	-	2,524	19,737
Professional services and fees	15,710	9,572	2,373	4,756	4,133	-	7	110	-	4,944	41,605
Printing and publications	3,807	3,242	1,183	88	2,146	1	7	-	-	871	11,345
Postage	4,915	2,740	967	-	2,371	-	25	60	-	1,077	12,155
Rent	45,850	23,554	12,378	-	2,106	61	163	-	-	2,285	86,397
Other expenses	3,058	3,564	673	28,435	-	807	282	498	-	777	38,094
Telephone	7,508	14,807	2,156	323	176	21	26	-	-	370	25,387
Technology support	17,445	37,855	5,113	-	5,596	-	26	-	-	5,452	71,487
Depreciation	6,067	5,651	1,232	-	-	-	-	-	-	263	13,213
Totals	\$ 3,110,487	\$ 2,398,197	\$ 565,845	\$ 115,766	\$ 175,968	\$ 8,187	\$ 16,288	\$ 16,508	\$ 7,990	\$ 218,539	\$ 6,633,775

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2016

	-----Association-----										
	T.E.A.C.H.	Accreditation Project	Non- Formal CDA Project	Other Programs	State Conference	Member Services	Other Association Programs	Local Chapters	Dues to Chapters	Management and General	Total Expenses
Salaries and wages	\$ 664,132	\$ 1,286,650	\$ 245,793	\$ 33,160	\$ 27,581	\$ 2,996	\$ 5,347	\$ -	\$ -	\$ 32,480	\$ 2,298,139
Employee benefits	209,040	342,683	71,764	6,933	7,958	962	1,549	-	-	10,752	651,641
Total salaries and employee benefits	873,172	1,629,333	317,557	40,093	35,539	3,958	6,896	-	-	43,232	2,949,780
Programs and activities	-	466,321	203,973	46,416	104,881	-	-	27,191	-	-	848,782
Committee and program development	-	-	-	-	-	-	8,951	-	-	73,072	82,023
Scholarships	1,826,771	-	1,432	1,800	-	-	-	-	-	-	1,830,003
Dues paid to chapters	-	-	-	-	-	-	-	9,770	-	-	9,770
Supplies and expendables	5,400	9,146	1,763	2,573	1,261	10	-	11	-	363	20,527
Travel and training	5,609	93,612	3,557	208	4,154	-	-	-	-	47,318	154,458
Insurance	5,960	9,013	1,414	-	914	10	-	-	-	2,290	19,601
Professional services and fees	17,239	13,875	9,683	-	4,211	3	4	138	-	8,388	53,541
Printing and publications	4,607	4,452	1,308	4,620	227	2	2	608	-	1,899	17,725
Postage	5,155	2,895	1,281	-	1,504	4	-	141	-	1,851	12,831
Rent	46,023	23,443	11,980	-	821	228	555	-	-	1,329	84,379
Other expenses	3,652	4,359	887	9,627	-	836	119	3,690	-	50	23,220
Telephone	7,219	14,848	1,995	231	201	20	37	-	-	231	24,782
Technology support	12,825	27,937	2,781	-	2,912	11	17	-	-	4,027	50,510
Depreciation	3,887	4,382	748	1,408	-	-	-	-	-	142	10,567
Totals	<u>\$ 2,817,519</u>	<u>\$ 2,303,616</u>	<u>\$ 560,359</u>	<u>\$ 106,976</u>	<u>\$ 156,625</u>	<u>\$ 5,082</u>	<u>\$ 16,581</u>	<u>\$ 31,779</u>	<u>\$ 9,770</u>	<u>\$ 184,192</u>	<u>\$ 6,192,499</u>

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amounts Awarded to Subrecipients</u>
<u>Department of Health and Human Services</u>				
Pass-through program from: Indiana Family and Social Services Administration, Division of Family Resources.				
Child Care and Development Block Grant for T.E.A.C.H Early Childhood® INDIANA	93.596	49-16-87-1427	\$ 2,318,566	\$ -
Child Care and Development Block Grant for the Indiana Accreditation Project	93.596	49-16-87-1427	2,398,000	-
Child Care and Development Block Grant for the Indiana Non-Formal CDA Project	93.596	49-16-87-1427	555,277	162,732
Professional Development Systems	93.596	49-16-87-1427	<u>15,751</u>	<u>-</u>
Total Child Care and Development Block Grant cluster			5,287,594	162,732
Head Start	93.600	49-16-91-1427	18,647	-
T.E.A.C.H. Scholarship – Social Services Block Grant	93.667	49-16-91-1427	<u>133,966</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 5,440,207</u>	<u>\$ 162,732</u>

See accompanying notes to schedule of expenditures of federal awards.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

This schedule includes the federal awards activity of the Indiana 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 cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Indiana Association for the Education of Young Children has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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
Indiana Association for the Education of Young Children
Indianapolis, Indiana

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 the Indiana Association for the Education of Young Children ("Indiana AEYC"), which comprise the statement of financial position as of June 30, 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 November 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indiana AEYC'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 Indiana AEYC's internal control. Accordingly, we do not express an opinion on the effectiveness of Indiana AEYC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Indiana AEYC'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*.

Purpose of this Report

The purpose of this 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 15, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Indiana Association for the Education of Young Children
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Indiana Association for the Education of Young Children's ("Indiana AEYC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Indiana AEYC's major federal program for the year ended June 30, 2017. Indiana AEYC's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Indiana AEYC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, Indiana AEYC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

(Continued)

Report on Internal Control Over Compliance

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 15, 2017

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2017

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

 Significant deficiencies identified not
 considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

 Material weakness(es) identified? _____ Yes X No

 Significant deficiencies identified not
 considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.596	Child Care and Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS.

None

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN 2CFR 200.516(a).

None

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2017

There were no audit findings or questioned costs in the prior year.