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September 30, 2020

Board of Directors
Indiana Association for the Education of Young Children
2955 N. Meridian St., Ste. 120
Indianapolis, IN 46208

We have reviewed the audit report of Indiana Association for the Education of Young Children which was opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS

June 30, 2019 and 2018

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
Indianapolis, Indiana

FINANCIAL STATEMENTS
June 30, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Indiana AEYC has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

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 and state 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* is presented for the 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 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 December 3, 2019 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 LLP

Indianapolis, Indiana
December 3, 2019

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash:		
Association	\$ 381,003	\$ 520,774
Chapters	<u>85,047</u>	<u>98,294</u>
Total cash	466,050	619,068
Grant reimbursement and other receivables	945,385	882,612
Furniture and equipment (net of accumulated depreciation of \$70,303 and \$134,609 for 2019 and 2018)	54,057	19,301
Other assets	<u>3,272</u>	<u>1,581</u>
Total assets	<u>\$ 1,468,764</u>	<u>\$ 1,522,562</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 465,933	\$ 465,758
Accrued payroll	105,276	106,845
Deferred contract revenue	9,103	9,121
Deferred membership dues	25,941	28,597
Deferred conference revenue	<u>15,475</u>	<u>4,778</u>
Total liabilities	<u>621,728</u>	<u>615,099</u>
Net Assets		
Without donor restrictions (includes Board Designated amounts totaling \$59,727 and \$57,755 for 2019 and 2018, respectively)	837,036	897,463
With donor restrictions	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>847,036</u>	<u>907,463</u>
Total liabilities and net assets	<u>\$ 1,468,764</u>	<u>\$ 1,522,562</u>

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	<u>Association</u>	<u>T.E.A.C.H.</u>	<u>Accreditation Project</u>	<u>Non-Formal CDA Project</u>	<u>On My Way Pre-K</u>	<u>Other Programs</u>	<u>Without Donor Restrictions Total</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues									
Membership dues	\$ 50,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,466	\$ -	\$ 50,466
Grants - federal	-	2,075,822	2,427,374	413,999	-	25,743	4,942,911	-	4,942,911
Grants - state	-	-	-	-	148,142	-	148,142	-	148,142
Contract revenue	-	202,574	-	-	-	83,230	285,804	-	285,804
Contributions	15,130	-	-	-	-	-	15,130	-	15,130
Scholarship sponsors	-	289,388	-	-	27,327	-	316,715	-	316,715
Conference fees	219,551	-	-	-	-	-	219,551	-	219,551
Other	198,532	-	-	1,105	-	8,035	207,672	-	207,672
Total revenues	483,679	2,567,784	2,427,374	415,077	175,469	117,008	6,186,391	-	6,186,391
Expenses									
Program services									
Grant funded projects	-	2,247,649	2,199,732	312,851	185,696	122,375	5,068,303	-	5,068,803
State Conference program	135,004	-	-	-	-	-	135,004	-	135,004
Member services	89,177	-	-	-	-	-	89,177	-	89,177
Other association programs	143,832	-	-	-	-	-	143,832	-	143,832
Local chapters	61,626	-	-	-	-	-	61,626	-	61,626
Total program services	429,639	2,247,649	2,199,732	312,851	185,696	122,375	5,497,942	-	5,497,942
Management and general	65,250	340,321	245,598	86,270	-	11,437	748,876	-	748,876
Total expenses	494,889	2,587,970	2,445,330	399,121	185,696	133,812	6,246,818	-	6,246,818
Change in net assets	(11,210)	(20,186)	(17,956)	15,956	(10,227)	(16,804)	(60,427)	-	(60,427)
Net assets, beginning of year	919,794	18,349	(52,456)	(13,093)	-	24,869	897,463	10,000	907,463
Net assets, end of year	\$ 908,584	\$ (1,837)	\$ (70,412)	\$ 2,863	\$ (10,227)	\$ 8,065	\$ 837,036	\$ 10,000	\$ 847,036

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	<u>Association</u>	<u>T.E.A.C.H.</u>	<u>Accreditation Project</u>	<u>Non-Formal CDA Project</u>	<u>On My Way Pre-K</u>	<u>Other Programs</u>	<u>Without Donor Restrictions Total</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues									
Membership dues	\$ 49,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,996	\$ -	\$ 49,996
Grants - federal	-	2,137,754	2,400,097	366,103	-	58,107	4,962,061	-	4,962,061
Grants - state	-	-	-	-	102,285	-	102,285	-	102,285
Contract revenue	-	496,130	-	-	-	-	496,130	-	496,130
Contributions	15,504	-	-	-	-	-	15,504	-	15,504
Scholarship sponsors	-	280,273	-	-	18,659	-	298,932	-	298,932
Conference fees	290,180	-	-	-	-	-	290,180	-	290,180
Other	82,891	-	-	-	-	22,600	105,491	-	105,491
Total revenues	438,571	2,914,157	2,400,097	366,103	120,944	80,707	6,320,578	-	6,320,578
Expenses									
Program services									
Grant funded projects	-	2,537,504	2,224,308	269,997	120,944	109,780	5,262,533	-	5,262,533
State Conference program	143,522	-	-	-	-	-	143,522	-	143,522
Member services	41,598	-	-	-	-	-	41,598	-	41,598
Other association programs	115,570	-	-	-	-	-	115,570	-	115,570
Local chapters	88,671	-	-	-	-	-	88,671	-	88,671
Dues to chapters	2,300	-	-	-	-	-	2,300	-	2,300
Total program services	391,661	2,537,504	2,224,308	269,997	120,944	109,780	5,654,194	-	5,654,194
Management and general	92,524	347,618	180,954	97,336	-	-	718,432	-	718,432
Total expenses	484,185	2,885,122	2,405,262	367,333	120,944	109,780	6,372,626	-	6,372,626
Change in net assets	(45,615)	29,035	(5,165)	(1,230)	-	(29,073)	(52,048)	-	(52,048)
Net assets, beginning of year	965,409	(10,686)	(47,291)	(11,863)	-	53,942	949,511	10,000	959,511
Net assets, end of year	\$ 919,794	\$ 18,349	\$ (52,456)	\$ (13,093)	\$ -	\$ 24,869	\$ 897,463	\$ 10,000	\$ 907,463

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	-----Association-----											
	T.E.A.C.H.	Accreditation Project	Non- Formal CDA Project	On My Way Pre-K	Other Programs	State Conference	Member Services	Other Association Programs	Local Chapters	Dues to Chapters	Management and General	Total Expenses
Salaries and wages	\$ 628,531	\$ 1,339,855	\$ 213,524	\$ -	\$ 13,856	\$ 12,771	\$ 21,082	\$ 3,699	\$ 9,446	\$ -	\$ 15,903	\$ 2,258,667
Employee benefits	175,537	391,278	57,700	-	2,957	3,749	6,430	1,531	2,734	-	6,359	648,275
Total salaries and employee benefits	804,068	1,731,133	271,224	-	16,813	16,520	27,512	5,230	12,180	-	22,262	2,906,942
Programs and activities	-	499,574	90,767	-	81,427	96,189	49,439	112,626	47,420	-	-	977,442
Scholarships	1,631,150	-	-	185,696	-	-	-	4,736	-	-	-	1,821,582
Supplies and expendables	6,494	7,467	1,836	-	2,229	1,084	4,805	3,263	771	-	12,039	39,988
Travel and training	9,237	85,445	4,074	-	5,398	4,703	1,227	14,772	-	-	3,721	128,577
Insurance	4,539	8,661	1,088	-	-	843	797	512	106	-	1,920	18,466
Professional services and fees	19,060	12,363	5,369	-	20,020	-	1,614	-	-	-	41,018	99,444
Printing and publications	2,009	1,608	1,902	-	1,232	10,053	-	-	-	-	214	17,018
Postage	5,295	2,309	245	-	778	88	-	-	-	-	46	8,761
Rent	44,145	17,695	11,710	-	-	240	2,065	1,155	488	-	4,332	81,830
Other expenses	19,738	4,354	1,375	-	1,049	3,289	1,202	1,379	250	-	9,732	42,368
Telephone	10,630	20,117	2,845	-	1,344	142	250	116	111	-	440	35,995
Technology support	20,571	41,074	6,082	-	3,522	1,853	266	43	300	-	(37,624)	36,087
Depreciation	11,034	13,530	604	-	-	-	-	-	-	-	7,150	32,318
Totals	\$ 2,587,970	\$ 2,445,330	\$ 399,121	\$ 185,696	\$ 133,812	\$ 135,004	\$ 89,177	\$ 143,832	\$ 61,626	\$ -	\$ 65,250	\$ 6,246,818

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2018

	-----Association-----											
	T.E.A.C.H.	Accreditation Project	Non-Formal CDA Project	On My Way Pre-K	Other Programs	State Conference	Member Services	Other Association Programs	Local Chapters	Dues to Chapters	Management and General	Total Expenses
Salaries and wages	\$ 644,208	\$ 1,317,855	\$ 230,675	\$ -	\$ 2,600	\$ 25,242	\$ 12,324	\$ 3,057	\$ 4,629	\$ -	\$ 17,633	\$ 2,257,863
Employee benefits	177,799	367,227	57,012	-	953	6,491	4,645	1,360	1,899	-	7,846	625,232
Total salaries and employee benefits	822,007	1,685,082	287,687	-	3,553	31,733	16,969	4,417	6,168	-	25,479	2,883,095
Programs and activities	-	539,752	53,347	-	7,740	101,541	-	-	-	-	-	702,380
Committee and program development	-	-	-	-	-	-	-	99,530	66,128	-	-	165,657
Scholarships	1,917,050	-	-	120,944	-	-	-	-	-	-	-	2,037,994
Dues paid to chapters	-	-	-	-	-	-	-	-	-	2,300	-	2,300
Supplies and expendables	3,660	6,494	911	-	265	254	472	235	328	-	1,354	13,973
Travel and training	10,425	90,331	3,110	-	29,443	356	9,876	4,916	6,866	-	28,361	183,684
Insurance	5,144	7,666	1,311	-	-	874	513	255	357	-	1,474	17,594
Professional services and fees	10,985	10,779	3,344	-	5,075	3,782	4,929	2,454	3,571	-	14,153	59,072
Printing and publications	2,726	2,195	1,420	-	113	197	657	327	456	-	1,885	9,976
Postage	4,075	1,969	295	-	-	105	369	184	257	-	1,061	8,315
Rent	45,194	23,654	13,735	-	-	1,867	736	242	338	-	1,397	87,163
Other expenses	40,047	(6,246)	(3,284)	-	8,727	705	5,176	2,081	2,907	-	12,007	62,120
Telephone	8,216	15,076	2,197	-	8	183	311	137	191	-	790	27,109
Technology support	10,103	23,347	2,033	-	54,856	1,925	1,538	766	1,069	-	4,414	100,051
Depreciation	5,490	5,163	1,227	-	-	-	52	26	36	-	149	12,143
Totals	\$ 2,885,122	\$ 2,405,262	\$ 367,333	\$ 120,944	\$ 109,780	\$ 143,522	\$ 41,598	\$ 115,570	\$ 88,671	\$ 2,300	\$ 92,524	\$ 6,372,626

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (60,427)	\$ (52,048)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	32,318	12,143
Loss on disposal of property and equipment	6,677	-
Changes in assets and liabilities:		
Grant reimbursement and other receivables	(62,773)	166,978
Other assets	(1,691)	(667)
Accounts payable	175	(26,591)
Accrued payroll	(1,569)	786
Deferred revenue	8,023	(41,953)
Net cash from operating activities	<u>(79,267)</u>	<u>58,648</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(73,751)</u>	<u>-</u>
Net cash from investing activities	<u>(73,751)</u>	<u>-</u>
Net change in cash	(153,018)	58,648
Cash, beginning of year	<u>619,068</u>	<u>560,420</u>
Cash, end of year	<u>\$ 466,050</u>	<u>\$ 619,068</u>

See accompanying notes to financial statements.

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019 and 2018, 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 is engaged in multiple early childhood workforce and professional development initiatives. Indiana AEYC partnered with FSSA, DFR, Office of Early Childhood and Out of School Learning through the federal Preschool Development Grant to complete the 2019 Indiana Child Care Workforce Study. Indiana AEYC also worked closely with partners to provide guidance on the Early Childhood Career Pathways, Early Childhood credentials, certificates and degrees.
- On My Way Pre-k (Indiana’s Preschool Program) – On My Way Pre-k provides grants for 4-year-olds from low income families, so they may have access to high-quality preschool programs the year before they begin kindergarten. On My Pre-k is administered through the Office of Early Childhood and Out of School Learning under the direction of the Indiana Family and Social Services Administration. On My Pre-k launched in 2015 in five counties, expanded to 20 counties in 2017 and moved to all 92 counties in 2019. The funding is from the Indiana General Fund with local match from participating partners. Indiana AEYC receives On My Pre-k funds to support the early childhood educators working with the 4-year-olds enrolled in the program through T.E.A.C.H. Early Childhood® INDIANA scholarships. Indiana AEYC receives On My Way Pre-k funds to support the Paths to QUALITY® and national accreditation fees for programs where On My Way children are enrolled.

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.

(Continued)

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

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.

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, 2019 and 2018.

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, 2019 and 2018, Indiana AEYC has deposits with financial institutions exceeding the FDIC limit by \$37,142 and \$75,518, 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, 2019 and 2018, 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 furniture and equipment acquired with federal or state funding is subject to guidelines as set forth by the grantor.

(Continued)

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

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, 2019 or 2018.

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.

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 without donor restrictions and with donor restrictions. The following classes of net assets are maintained:

Without Donor Restrictions Net Assets – The without donor restrictions net asset class includes general and board designated net assets for the Christine L. Fischer Fund. The net assets without donor restrictions may be used at the discretion of management to support Indiana AEYC's purposes and operations.

With Donor Restrictions Net Assets - Net assets with donor restrictions 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. Net assets with donor restrictions are available for program development and implementation. At June 30, 2019 and 2018, Indiana AEYC had net assets with donor restrictions of \$10,000.

The net assets with donor restrictions class also 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, 2019 and 2018, Indiana AEYC does not have any net assets with such restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 without donor restrictions.

Concentrations: For the years ended June 30, 2019 and 2018, revenue from federal funding sources represented approximately 79% of Indiana AEYC's total revenue in both years.

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.

(Continued)

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

Donated Property and Equipment: Indiana AEYC reports gifts of land, buildings, and equipment as support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

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.

Recent Accounting Pronouncement: In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. ASU 2016-14 makes several improvements to current reporting requirements that address the complexities related to not-for-profit reporting. The guidance requires the entity to provide qualitative and quantitative information that communicates how the entity manages liquid resources available to meet cash needs within one year of the statement of net position date. It also requires the entity to disclose expenses by both natural and functional classification as well as methods used to allocate between program and support functions. Indiana AEYC retrospectively implemented this guidance, and the new or updated disclosures are located in the statements of financial position, statements of activities, statements functional expenses, and Note 7.

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 prior year balances have been reclassified to conform to the current year presentation. The reclassifications had no impact on the change in net assets or net assets in total.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2019. Management has performed their analysis through December 3, 2019, the date the financial statements were available to be issued.

NOTE 2 - LEASES

During the years ended June 30, 2019 and 2018, Indiana AEYC leased its facilities, office furnishings, and a copier both under operating lease agreements. An existing facilities lease was terminated in July 2018 and in August 2018, Indiana AEYC entered into a new agreement to lease a new office space under an operating lease arrangement which expires July 31, 2028. Indiana AEYC is able to terminate the lease agreement with 60 days' notice in the event that their federal funding is significantly reduced. Indiana AEYC entered into a lease agreement for office furnishings which expires in July 31, 2020. Indiana AEYC maintained the copier lease which expires in June 2023.

(Continued)

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 - LEASES (Continued)

Rental expense included in the statements of activities for the year ended June 30, 2019 and 2018 was \$108,368 and \$87,163, respectively. Indiana AEYC's minimum annual rental payments required under operating leases with remaining terms at June 30, 2019, are as follows:

<u>Fiscal year</u>	
2020	\$ 107,439
2021	85,491
2022	85,962
2023	88,685
2024 – 2028	461,011
2029	<u>8,156</u>
	<u>\$ 836,744</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, 2019 have been recorded as receivables.

As of June 30, 2019, Indiana AEYC had a signed grant contract totaling \$1,381,823 for July 1, 2019 through September 30, 2019. Subsequent to June 30, 2019, Indiana AEYC obtained a signed grant contract for a total of \$33,194,288 through September 30, 2023.

These amounts have not been recorded as revenue but are disclosed as a commitment.

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.

Grant payments were made to organizations that employed Board members in the amount of \$680,612 and \$783,380 for the years ended June 30, 2019 and 2018, respectively. All program eligibility requirements for scholarships are determined by Indiana AEYC staff. Board members have no role in determining or directing any funds to organizations, schools or program recipients. Board members are elected by the members of the organization and are not appointed by management.

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 \$75,371 and \$79,447 for 2018 and 2017, respectively.

(Continued)

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6 - OTHER PROGRAM REVENUES

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

	<u>2019</u>	<u>2018</u>
Child Care Development Block Grant – PDF Workforce Grant	\$ 20,626	\$ -
Professional Development System	-	656
Technology Support	-	54,856
Head Start Collaboration Grant	5,117	2,595
National Association for the Education of Young Children (NAEYC) Power to the Profession	7,300	17,500
Variations in Implementation of Quality Interventions (VIQI)	83,230	-
Other	<u>735</u>	<u>5,100</u>
	<u>\$ 117,008</u>	<u>\$ 80,707</u>

NOTE 7 - LIQUIDITY AND AVAILABILITY

The Indiana AEYC's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash	\$ 466,050	\$ 619,068
Grant reimbursement and other receivables	<u>945,385</u>	<u>882,612</u>
Total financial assets	<u>1,411,435</u>	<u>1,501,680</u>
Less amounts not available to be used within one year:		
Cash held for Chapters	(85,047)	(98,294)
Board-designated net assets	(59,727)	(57,755)
Net assets with donor restrictions	<u>(10,000)</u>	<u>(10,000)</u>
Total financial assets not available to be used within one year	<u>(154,774)</u>	<u>(166,049)</u>
Financial assets available within one year	<u>\$ 1,256,661</u>	<u>\$ 1,335,631</u>

As part of Indiana AEYC's liquidity management, the Indiana AEYC maintains its cash in FDIC-insured, interest bearing accounts to be available as its general expenditures, liabilities, and other obligations come due.

SUPPLEMENTAL INFORMATION

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2019

Federal Grantor/ Program Title	Federal CFDA Number	Grant or Pass-through Number	Federal Expenditures	Amounts Awarded to Subrecipients
<u>Department of Labor</u>				
Pass-through program from: Indiana Department of Workforce Development				
Center of Workforce Innovations	17.258	None	\$ 43,293	\$ -
Blue River Career Program	17.258	None	21,164	-
Fort Wayne Community Schools Continuing Education Programs	17.258	None	<u>18,771</u>	<u>-</u>
Total WIOA Cluster			83,228	-
<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 – T.E.A.C.H. Early Childhood® INDIANA	93.575	22915	1,940,429	-
Child Care and Development Block Grant – Indiana Accreditation Project	93.575	22915	2,427,374	-
Child Care and Development Block Grant – Indiana Non-Formal CDA Project	93.575	22915	330,744	-
Child Care and Development Block Grant – PDF Workforce Grant	93.575	22915	<u>20,626</u>	<u>-</u>
Total Child Care and Development Fund (CCDF) Cluster			4,719,173	-
Head Start Collaboration Grant	93.600	22915	5,117	-
Social Services Block Grant – T.E.A.C.H. Scholarship	93.667	22915	<u>135,393</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 4,942,911</u>	<u>\$ -</u>
<u>State of Indiana Funding</u>				
Pass-through program from: Indiana Family and Social Services Administration, Division of Family Resources				
On My Way Pre-K	N/A	22915	\$ 148,142	\$ -

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

This schedule includes the federal and state awards activity of the Indiana Association for the Education of Young Children and is presented on the accrual basis of accounting. The federal 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, 2019, 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 December 3, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 LLP

Indianapolis, Indiana
December 3, 2019

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, 2019. 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 Indiana AEYC'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, 2019.

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


Crowe LLP

Indianapolis, Indiana
December 3, 2019

INDIANA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

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 Number</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care and Development Fund Cluster

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

**Summary Schedule of Prior Audit Findings
June 30, 2019**

Finding 2018-001 – Accrual of Scholarship Payments

Condition: During our testing of subsequent disbursements, we identified scholarship payments to institutions of higher education that related to the fiscal year ending June 30, 2018 but were applied to the subsequent fiscal year. The expenses were allowable costs and there were no period of performance issues as it relates to Federal compliance.

Status: Resolved

Finding 2018-002 – Internal Controls Over Journal Entries

Condition: During our testing of internal controls related to journal entries, we noted that journal entries were not subject to a documented supervisory review process for a portion of the period under audit (March 2018 – June 2018).

Status: Resolved