

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

FINANCIAL STATEMENTS

December 31, 2012

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Tennessee Association for the Education of Young Children, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Association for the Education of Young Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Association for the Education of Young Children, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

July 24, 2013

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

Assets

Cash and cash equivalents	\$ 175,323
Certificate of deposit	38,350
Accounts receivable	6,812
Prepaid expense	<u>14,758</u>
Total assets	<u><u>\$ 235,243</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	<u>\$ 6,248</u>
Total liabilities	<u>6,248</u>

Net assets:

Unrestricted	226,880
Temporarily restricted	<u>2,115</u>
Total net assets	<u>228,995</u>
Total liabilities and net assets	<u><u>\$ 235,243</u></u>

See notes to financial statements.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Annual conference revenue	\$ 129,799	\$ -	\$ 129,799
Grants and contributions	111,712	2,803	114,515
Pre-K conference revenue	80,328	-	80,328
Membership dues	30,857	-	30,857
Other revenue	6,488	-	6,488
Release of restrictions	<u>1,578</u>	<u>(1,578)</u>	<u>-</u>
Total support and revenue	<u>360,762</u>	<u>1,225</u>	<u>361,987</u>
Expenses:			
Program services	305,183	-	305,183
Management and general	72,243	-	72,243
Fundraising	<u>359</u>	<u>-</u>	<u>359</u>
Total expenses	<u>377,785</u>	<u>-</u>	<u>377,785</u>
Change in net assets	(17,023)	1,225	(15,798)
Net assets at beginning of year	<u>243,903</u>	<u>890</u>	<u>244,793</u>
Net assets at end of year	<u><u>\$ 226,880</u></u>	<u><u>\$ 2,115</u></u>	<u><u>\$ 228,995</u></u>

See notes to financial statements.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Pre-K program expenses:				
Pre-K Conference	\$ 118,574	\$ -	\$ -	\$ 118,574
Public relations/marketing	70,776	-	-	70,776
Advocacy/monitoring	55	-	-	55
Miscellaneous	37	-	-	37
Annual TAEYC conference and various seminars	97,183	-	-	97,183
Program/event expense	-	22,874	-	22,874
Salaries and taxes	16,980	5,660	-	22,640
Professional fees	-	13,049	-	13,049
Board meeting expense	-	9,427	-	9,427
Rent	-	7,596	-	7,596
Communications	-	3,722	-	3,722
Professional development	-	2,949	-	2,949
Office expense	-	2,789	-	2,789
Insurance	-	1,808	-	1,808
Miscellaneous	-	1,605	-	1,605
TECTA grant	1,578	-	-	1,578
Membership dues	-	389	-	389
Marketing	-	375	-	375
Development	-	-	359	359
	<u>\$ 305,183</u>	<u>\$ 72,243</u>	<u>\$ 359</u>	<u>\$ 377,785</u>

See notes to financial statements.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

Cash flows from operating activities:	
Change in net assets	\$ (15,798)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	9,928
Prepaid expense	(6,024)
Accounts payable and accrued expenses	<u>(40,750)</u>
Net cash used in operating activities	<u>(52,644)</u>
Cash flows from investing activities:	
Interest reinvested in certificate of deposit	<u>(238)</u>
Net cash used in investing activities	<u>(238)</u>
Net decrease in cash and cash equivalents	(52,882)
Cash and cash equivalents at beginning of year	<u>228,205</u>
Cash and cash equivalents at end of year	<u><u>\$ 175,323</u></u>

See notes to financial statements.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Association

Tennessee Association for the Education of Young Children, Inc. (the “Association”) was organized in 1954 and is an affiliate of the National Association For The Education Of Young Children, Inc. The Association, a nonprofit organization, provides opportunities for members to enhance their experiences and to increase their knowledge of the various approaches to the development, the care and the education of the young child and to coordinate the efforts of others in promoting the general welfare of, and improving the educational opportunities for, all of Tennessee’s young children. The Association is supported primarily through grants and contributions, member dues and conference fees.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows. Net assets of the Association are presented as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. .

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. There were no permanently restricted net assets at December 31, 2012.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted.

Income Taxes

The Association is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements. The Association follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Association has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended December 31, 2009 through December 31, 2012. The Association had no uncertain tax positions at December 31, 2012.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Support and Revenue Recognition

The Association accounts for contributions in accordance with guidance which states that contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Association 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Grant revenue is generally recognized to the extent qualifying expenditures have been incurred.

Cash and Cash Equivalents

The Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents for the statement of cash flows.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Currently, the Association does not own any property and equipment.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates made by management.

Subsequent Events

Management has evaluated subsequent events through July 24, 2013, when these financial statements were available to be issued. Other than the item noted in Note 2, the Association is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – CERTIFICATE OF DEPOSIT

On December 31, 2012, the Association had a certificate of deposit in the amount of \$38,350 yielding 0.5% and maturing February 2013. This certificate is held in a brokerage account and is federally insured. Interest is paid upon maturity; therefore, the certificate is reported at the original investment. The fair value of the certificate of deposit approximates carrying value because of the short-term maturity of the certificate. In February 2013, the certificate of deposit was renewed at a rate of 0.4% with a maturity of August 2013.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are due primarily from various private agencies and are expected to be received within one year. The carrying values of accounts receivable approximate their fair values due to the short maturities of these instruments. No allowance for uncollectible amounts was considered necessary at December 31, 2012.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE 4 – PREPAID EXPENSES

Prepaid expenses at December 31, 2012 include:

Pre-K conference deposit	\$ 14,125
Other	<u>633</u>
	<u>\$ 14,758</u>

NOTE 5 – COMMITMENTS

The Association entered into an agreement dated December 2012 for a conference space rental, including food and beverage, for the Early Childhood Summit to be held July 15-16, 2013 in Nashville, Tennessee.

The Association entered into an agreement dated October 2011 for a conference space rental, including food and beverage, for the annual conference to be held October 7-12, 2013 in Knoxville, Tennessee. In the event of cancellation at least six months before the event, the Association will lose the deposit of \$7,160 and be required to pay 50% of base room rental rate, \$5,285. If the event is canceled within six months of the event, the Association will be liable for the balance of the entire base rate of \$10,570. If food and beverage service is canceled less than fourteen days prior to the event, a fee of 75% of total estimated services will apply. If the food and beverage service is canceled within seventy-two hours of the event, 100% of total estimated services will apply. As of the date of the agreement, food and beverage costs were estimated at \$18,000 for the event.

The Association entered into an agreement dated March 2012 for a conference space rental for the annual conference to be held October 9, 2014 in Chattanooga, Tennessee. In the event of cancellation, the Association will be required to pay 100% of the base room fee, \$11,203. The Association also entered into an agreement dated March 2012 for a hotel commitment for the annual conference to be held October 2014 in Chattanooga, Tennessee. In the event of cancellation before October 2013, the Association will be required to pay 50% of estimated room revenue, \$28,080. If the commitment is canceled after October 7, 2013, 80% of estimated room revenue, \$44,928, would be charged. If occupancy during the conference period is below 80% of the room night commitment, the Association will be required to pay the difference between 80% of the room night commitment and actual usage, multiplied by the average group room rate.

NOTE 6 – CONCENTRATIONS

The Association may, at times, maintain cash deposits in excess of federally insured limits. In management's opinion, risk relating to such deposits is minimal.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE 6 – CONCENTRATIONS (Continued)

In 2012, the Association received a state and federally funded grant of \$85,000 to help cover the costs of its Pre-K Summit Conference and other expenses related to the Association's purpose.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose at December 31, 2012:

TECTA grant activities	\$ <u>2,115</u>
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Net assets of \$1,578 were released from grantor restrictions by satisfying the restricted purposes specified by the grantor during the year ended December 31, 2012.