

**TENNESSEE ASSOCIATION FOR THE
EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR
CHILDREN'S EARLY EDUCATION**

FINANCIAL STATEMENTS

December 31, 2016

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN’S EARLY EDUCATION

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INDEPENDENT AUDITOR'S REPORT

To the Finance Committee of
Tennessee Association for the Education of Young Children, Inc.
d/b/a Tennessee Association for Children's Early Education
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Association for the Education of Young Children, Inc. (a nonprofit organization) d/b/a Tennessee Association for Children's Early Education, which comprise the statement of financial position as of December 31, 2016, 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. d/b/a Tennessee Association for Children's Early Education as of December 31, 2016, 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

May 31, 2017

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
STATEMENT OF FINANCIAL POSITION
December 31, 2016

Assets

Cash and cash equivalents, including cash held for the benefit of chapters of \$15,184	\$	186,407
Certificate of deposit		38,870
Accounts receivable		14,821
Prepaid expense		<u>2,604</u>
Total assets	\$	<u><u>242,702</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	9,188
Amounts held for the benefit of chapters		15,184
Deferred revenue		<u>250</u>
Total liabilities		<u>24,622</u>

Net assets:

Unrestricted		217,014
Temporarily restricted		<u>1,066</u>
Total net assets		<u>218,080</u>
Total liabilities and net assets	\$	<u><u>242,702</u></u>

See accompanying notes.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Annual conference revenue	\$ 86,577	\$ -	\$ 86,577
Membership dues	27,241	-	27,241
Grants and contributions	3,813	-	3,813
Other revenue	3,386	-	3,386
	<u>121,017</u>	<u>-</u>	<u>121,017</u>
Total support and revenue			
Expenses:			
Program services	83,694	-	83,694
Management and general	45,573	-	45,573
	<u>129,267</u>	<u>-</u>	<u>129,267</u>
Total expenses			
Change in net assets	(8,250)	-	(8,250)
Net assets, beginning of year	<u>225,264</u>	<u>1,066</u>	<u>226,330</u>
Net assets at end of year	<u>\$ 217,014</u>	<u>\$ 1,066</u>	<u>\$ 218,080</u>

See accompanying notes.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Annual TAEYC conference	\$ 66,078	\$ -	\$ 66,078
Salaries and taxes	17,616	5,872	23,488
Professional fees	-	15,938	15,938
Program/event expense	-	8,800	8,800
Board meeting expense	-	3,814	3,814
Rent	-	2,517	2,517
Insurance	-	2,082	2,082
Professional development	-	1,717	1,717
Office expense	-	1,600	1,600
Communications	-	1,110	1,110
Membership	-	920	920
Miscellaneous	-	708	708
Marketing	-	495	495
	<u>\$ 83,694</u>	<u>\$ 45,573</u>	<u>\$ 129,267</u>

See accompanying notes.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ (8,250)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Interest reinvested in certificate of deposit	(116)
Changes in operating assets and liabilities:	
Accounts receivable	(14,796)
Prepaid expense	(1,488)
Accounts payable and accrued expenses	(22,818)
Amounts held for the benefit of chapters	3,013
Deferred revenue	250
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Net cash used in operating activities	(44,205)
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Net decrease in cash and cash equivalents	(44,205)
Cash and cash equivalents at beginning of year	230,612
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Cash and cash equivalents at end of year	<u>\$ 186,407</u>

See accompanying notes.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – NATURE OF OPERATIONS

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 conference fees, member dues, and contributions. Effective March 29, 2016, the Association elected to become an affiliate of the Southern Early Childhood Association (SECA).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association are presented on the accrual basis of accounting, under which revenue is recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed. The significant account policies followed are described below.

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, 2016.

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.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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 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. The Association had no uncertain tax positions at December 31, 2016.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 2 – 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 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.

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 management and general based on estimates made by management.

Subsequent Events

Management has evaluated subsequent events through May 31, 2017, when these financial statements were available to be issued. Other than the items noted in Notes 3 and 10, 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 3 – CERTIFICATE OF DEPOSIT

On December 31, 2016, the Association maintained a certificate of deposit in the amount of \$38,870 yielding 0.3% and maturing February 2017. 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 2017, the certificate of deposit was renewed at a rate of 0.3% with a maturity of August 2017.

NOTE 4 – 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, 2016.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 5– AMOUNTS HELD FOR THE BENEFIT OF CHAPTERS

The National Association for the Education of Young Children (“NAEYC”) oversees state affiliates (such as the Association), local affiliates, and local chapters. When a local affiliate changes to a chapter status, the NAEYC requires assets to be transferred to the state affiliate to be held and managed until the chapter can either regain affiliate status, or until the chapter and its related funds are redistributed to other local affiliates. At December 31, 2016, the Association held funds for the following chapters which are reflected as both an asset and liability in the accompanying statement of financial position:

West Tennessee Association for the Education of Young Children	<u>\$ 15,184</u>
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NOTE 6 – PREPAID EXPENSES

Prepaid expenses at December 31, 2016 include:

2017 conference deposit	\$ 2,057
Other	<u>547</u>
	<u>\$ 2,604</u>

NOTE 7 – COMMITMENTS

The Association entered into an agreement dated October 12, 2016 for conference space rental for the annual conference to be held October 2017. In the event of cancellation, the Association will be required to pay a portion of the expected revenue with the percentage due based upon the number of days notice given.

NOTE 8 – 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.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose at December 31, 2016:

TECTA grant activities	<u>\$ 1,066</u>
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TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
d/b/a TENNESSEE ASSOCIATION FOR CHILDREN'S EARLY EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016

NOTE 10 – SUBSEQUENT CHANGE IN NAME

Effective January 7, 2017, the Association filed with the State of Tennessee for a new assumed name, Tennessee Association for Children's Early Education, in conjunction with the new SECA affiliation. The Association's name is anticipated to change officially in September 2017.