

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

**FINANCIAL STATEMENTS (UNAUDITED)
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

December 31, 2013

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Tennessee Association for the Education of Young Children, Inc. (a nonprofit organization) as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

As described in Note 8, the Association restated its net assets effective December 31, 2012 to properly record amounts held for the benefit of a chapter of the Association.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

June 4, 2014

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION (UNAUDITED)
December 31, 2013

Assets

Cash and cash equivalents	\$ 195,635
Certificate of deposit	38,523
Accounts receivable	1,887
Prepaid expense	1,825
Cash held for the benefit of chapters	<u>19,271</u>
Total assets	<u><u>\$ 257,141</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 6,767
Deferred revenue	450
Amounts held for the benefit of chapters	<u>19,271</u>
Total liabilities	<u>26,488</u>

Net assets:

Unrestricted	229,075
Temporarily restricted	<u>1,578</u>
Total net assets	<u>230,653</u>
Total liabilities and net assets	<u><u>\$ 257,141</u></u>

See accompanying notes and independent accountant's review report.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (UNAUDITED)
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Grants and contributions	\$ 158,387	\$ -	\$ 158,387
Annual conference revenue	152,417	-	152,417
Pre-K conference revenue	111,796	-	111,796
Membership dues	28,466	-	28,466
Other revenue	4,185	-	4,185
Release of restrictions	537	(537)	-
	<u>455,788</u>	<u>(537)</u>	<u>455,251</u>
Total support and revenue			
Expenses:			
Program services	370,669	-	370,669
Management and general	64,473	-	64,473
	<u>435,142</u>	<u>-</u>	<u>435,142</u>
Total expenses			
Change in net assets	<u>20,646</u>	<u>(537)</u>	<u>20,109</u>
Net assets, beginning of year			
As previously stated	226,880	2,115	228,995
Restatement (Note 8)	(18,451)	-	(18,451)
As restated	<u>208,429</u>	<u>2,115</u>	<u>210,544</u>
Net assets at end of year	<u>\$ 229,075</u>	<u>\$ 1,578</u>	<u>\$ 230,653</u>

See accompanying notes and independent accountant's review report.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)
For the Year Ended December 31, 2013

	<u>Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Pre-K program expenses:			
Pre-K Conference	\$ 148,856	\$ -	\$ 148,856
Pre-K Conference			
public relations/marketing	47,548	-	47,548
Miscellaneous	3,471	-	3,471
Annual TAEYC conference	143,228	-	143,228
Salaries and taxes	16,949	5,650	22,599
Professional fees	-	20,687	20,687
Program/event expense	-	17,124	17,124
Grant disbursements	10,617	-	10,617
Board meeting expense	-	8,443	8,443
Rent	-	3,017	3,017
Communications	-	2,631	2,631
Professional development	-	2,557	2,557
Insurance	-	2,082	2,082
Office expense	-	1,086	1,086
Miscellaneous	-	862	862
Marketing	-	296	296
Membership dues	-	38	38
	<u>\$ 370,669</u>	<u>\$ 64,473</u>	<u>\$ 435,142</u>

See accompanying notes and independent accountant's review report.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the Year Ended December 31, 2013

Cash flows from operating activities:	
Change in net assets	\$ 20,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Interest reinvested in certificate of deposit	(173)
Changes in operating assets and liabilities:	
Accounts receivable	4,925
Prepaid expense	12,933
Accounts payable and accrued expenses	519
Deferred revenue	450
	<hr/>
Net cash provided by operating activities	38,763
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Net increase in cash and cash equivalents	38,763
Cash and cash equivalents at beginning of year	156,872
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Cash and cash equivalents at end of year	<u><u>\$ 195,635</u></u>

See accompanying notes and independent accountant's review report.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013.

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, 2013

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, 2010 through December 31, 2013. The Association had no uncertain tax positions at December 31, 2013.

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, 2013

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 management and general based on estimates made by management.

Subsequent Events

Management has evaluated subsequent events through June 4, 2014, 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, 2013, the Association had a certificate of deposit in the amount of \$38,523 yielding 0.5% and maturing February 2014. 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 2014, the certificate of deposit was renewed at a rate of 0.3% with a maturity of August 2014.

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, 2013.

TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013

NOTE 4 – 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, 2013, 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	\$ 16,292
Other new chapters	2,000
Lakeway Association for the Education of Young Children	<u>979</u>
	<u>\$ 19,271</u>

NOTE 5 – COMMITMENTS

The Association entered into an agreement dated March 2012 for 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, 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.

In 2013, the Association received a state grant of approximately \$141,000 to help cover the costs of its Pre-K Summit Conference.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose at December 31, 2013:

TECTA grant activities	<u>\$ 1,578</u>
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TENNESSEE ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets of \$537 were released from grantor restrictions by satisfying the restricted purposes specified by the grantor during the year ended December 31, 2013.

NOTE 8 – RESTATEMENT

During 2013, the Association restated its financial statements effective December 31, 2012 to include funds held on behalf of an Association chapter as a liability of \$18,451. The restatement has no effect on 2013 activities.