

**NEW MEXICO ASSOCIATION FOR THE
EDUCATION OF YOUNG CHILDREN**

**Financial Statements
and
Independent Auditors' Report**

**For the Years Ended
June 30, 2017 and 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors

New Mexico Association for the Education of Young Children

Report on the Financial Statements

We have audited the accompanying financial statements of the New Mexico Association for the Education of Young Children (NMAEYC) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and 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.

Auditors' 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 auditors' 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 NMAEYC as of June 30, 2017, and the changes in its net assets and functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited NMAEYC's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

Albuquerque, New Mexico
September 19, 2017

**NEW MEXICO ASSOCIATION FOR THE EDUCATION
OF YOUNG CHILDREN**

Statements of Financial Position

June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 126,821	\$ 283,668
Contract and grant receivable	439,616	212,783
	<hr/>	<hr/>
Total current assets	566,437	496,451
Property and equipment, net	23,357	27,250
	<hr/>	<hr/>
Total assets	\$ 589,794	\$ 523,701
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current liabilities		
Accounts payable	\$ 3,892	\$ 2,567
Accrued liabilities	19,001	16,483
Deferred revenue	67,250	48,102
	<hr/>	<hr/>
Total current liabilities	90,143	67,152
Net assets		
Unrestricted	499,651	456,549
	<hr/>	<hr/>
Total net assets	499,651	456,549
	<hr/>	<hr/>
Total liabilities and net assets	\$ 589,794	\$ 523,701
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See Notes to Financial Statements and Independent Auditors' Report.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION
OF YOUNG CHILDREN**

Statements of Activities and Changes in Net Assets

For the years ended June 30, 2017 and 2016

	2017	2016
Revenue and support		
Grants	\$ 2,088,509	\$ 2,410,919
Conferences	138,168	139,108
Membership dues	21,752	23,275
Other income	8,298	2,998
Total revenue and support	2,256,727	2,576,300
Expenses		
Program services	2,071,790	2,296,416
Support services	141,835	208,018
Total expenses	2,213,625	2,504,434
Changes in net assets	43,102	71,866
Net assets, beginning of year	456,549	384,683
Net assets, end of year	\$ 499,651	\$ 456,549

See Notes to Financial Statements and Independent Auditors' Report.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION
OF YOUNG CHILDREN**

Statements of Functional Expenses

For the year ended June 30, 2017

(With comparative totals for 2016)

	For the year ended June 30, 2017			For the
	Program Services	Support Services	Total	year ended June 30, 2016
Scholarships	\$ 959,443	\$ -	\$ 959,443	\$ 1,192,757
Salaries and wages	782,386	94,506	876,892	892,686
Rent	69,539	6,210	75,749	55,569
Travel	68,885	2,943	71,828	74,937
Employee benefits	50,804	12,446	63,250	57,850
Professional fees	33,504	3,050	36,554	76,018
Miscellaneous	31,907	3,505	35,412	43,589
Payroll taxes	22,534	5,474	28,008	27,642
Education and training	9,166	5,220	14,386	9,724
Supplies	8,711	1,189	9,900	13,969
Printing	8,508	-	8,508	8,972
Communications	7,309	435	7,744	10,431
Postage	6,165	147	6,312	5,600
Insurance	4,373	904	5,277	8,478
Conference	1,668	3,214	4,882	9,358
Depreciation	3,893	-	3,893	-
Advertising	2,995	512	3,507	612
Board	-	2,080	2,080	16,242
	<u>\$ 2,071,790</u>	<u>\$ 141,835</u>	<u>\$ 2,213,625</u>	<u>\$ 2,504,434</u>
Total expenses	<u>\$ 2,071,790</u>	<u>\$ 141,835</u>	<u>\$ 2,213,625</u>	<u>\$ 2,504,434</u>

See Notes to Financial Statements and Independent Auditors' Report.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION
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Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	2017	2016
Cash from operating activities		
Changes in net assets	\$ 43,102	\$ 71,866
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	3,893	-
(Increase) decrease in operating assets:		
Contract and grant receivable	(226,833)	(61,901)
Increase (decrease) in operating liabilities:		
Accounts payable	1,325	2,283
Accrued liabilities	2,518	4,560
Deferred revenue	19,148	(73,422)
	<u>(156,847)</u>	<u>(56,614)</u>
Net cash used by operating activities		
Cash from investing activities		
Purchase of property and equipment	-	(27,250)
	<u>-</u>	<u>(27,250)</u>
Net cash used by investing activities		
Net decrease in cash	(156,847)	(83,864)
Cash and cash equivalents, beginning of year	283,668	367,532
	<u>283,668</u>	<u>367,532</u>
Cash and cash equivalents, end of year	\$ 126,821	\$ 283,668

See Notes to Financial Statements and Independent Auditors' Report.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION OF
YOUNG CHILDREN**

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION

New Mexico Association for the Education of Young Children (NMAEYC)'s mission is to promote quality care and education for the well-being of young children in New Mexico through professional development and advocacy. NMAEYC is affiliated and accredited by the National Association for the Education of Young Children (NAEYC). Members of NMAEYC consist of professionals specializing in early childhood education. NMAEYC is a membership organization run by a volunteer board.

NMAEYC administers the T.E.A.C.H. Early Childhood ® NEW MEXICO Project (T.E.A.C.H.), which provides scholarships to teachers in early childhood centers and homes. T.E.A.C.H. is funded through contracts with the New Mexico Children, Youth, and Families Department (NMCYFD) and a grant from a private foundation. NMAEYC's main sources of support and revenue are contracts, grants, contributions, and annual conference registration fees and relies on continued support from these sources for its financial success and contribution to the community. NMAEYC is able to moderate costs in relation to external support received and is not committed to fund programs without having prior funding sources in place.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, "Financial Statements of Not-for-Profit Organizations." Under ASC 958, the NMAEYC 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. NMAEYC did not have any temporarily or permanently restricted net assets in 2017 and 2016.

Basis of Accounting

The financial statements of NMAEYC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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. This will affect the reported amounts of assets and liabilities, 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. Accordingly, actual results could differ from those estimates.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION OF
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Notes to Financial Statements
June 30, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support

NMAEYC reports contributions 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, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributed Services and Materials

NMAEYC recognizes contributed services if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services and donated materials are recorded at the fair value on the date of the donation. There were no donated services or materials during the years ended June 30, 2017 and 2016.

Income Taxes

NMAEYC is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code (IRC). In addition, NMAEYC qualifies for charitable contribution deductions under IRC section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). NMAEYC is also exempt from New Mexico state income tax under 1978 New Mexico Statutes Chapter 7, Section 2-4(B).

NMAEYC has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions for the year ended June 30, 2017 and has evaluated its tax positions taken for all open tax years. Currently, the 2014, 2015 and 2016 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, NMAEYC is not currently under audit nor has NMAEYC been contacted by any of these jurisdictions. Management believes that the activities of NMAEYC are within their tax-exempt purpose, and that there are no uncertain tax positions.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments.

Cash Equivalents

NMAEYC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION OF
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Notes to Financial Statements
June 30, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract and Grant Receivable

Contract and grant receivables are stated net of an allowance for doubtful accounts. Management estimates the adequacy of the allowance for uncollectible receivables based on historical collections, specific impaired receivables, and other situations that may affect the collection of the receivables. Receivables are charged off in the period in which the management determines the receivable is uncollectible. As of June 30, 2017 and 2016, management estimates all receivables to be fully collectible.

Property and Equipment

Property and equipment are stated at cost. Property and equipment that are received by donation are recorded at the estimated fair value on the date of donation. Purchased or donated property and equipment in excess of \$500 is capitalized and depreciated. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from three to ten years. Depreciation expense was \$3,893 and zero in 2017 and 2016, respectively.

Deferred Revenue

Deferred revenue consists of grant funding received prior to substantially meeting grant conditions.

Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$3,507 and \$612 in 2017 and 2016, respectively.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent.

Subsequent Events

NMAEYC has evaluated all events occurring subsequent to June 30, 2017 and through September 19, 2017, which is the date that the financial statements were issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION OF
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Notes to Financial Statements
June 30, 2017 and 2016

NOTE 3 - CONCENTRATION OF SUPPORT

NMAEYC's contracts with the NMCYFD, which represents 40% of total support in 2017 and 49% in 2016. NMAEYC received Race to the Top Federal funding which was received as a pass-through from NMCYFD and represented 23% and 22% of total support in 2017 and 2016, respectively. The receivable from NMCYFD was \$225,673 in 2017 and \$126,969 in 2016. The receivable from Race to the Top was \$96,329 in 2017 and \$32,317 in 2016.

NOTE 4 - LEASES

NMAEYC leases office space under a three-year lease which expires in December 2018. The monthly lease payments range from approximately \$4,237 to \$4,540 during the term of the lease. NMAEYC also leases office equipment under operating leases that expires in December 2018. Rent expense related to these leases totaled \$59,040 and \$32,378 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments related to these leases are as follows:

2018	\$ 55,631
2019	28,269
	<u>\$ 83,900</u>

NOTE 5 - RELATED PARTY

NMAEYC grants scholarships to various individuals during the year. During 2017, three board members received scholarships totaling \$10,076.