

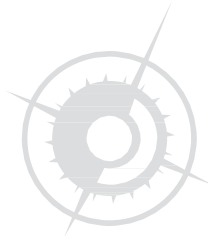
**NEW MEXICO ASSOCIATION FOR THE
EDUCATION OF YOUNG CHILDREN**

Financial Statements
and
Independent Auditors' Report

For the Years Ended
June 30, 2019 and 2018

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SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the 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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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.

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 New Mexico Association for the Education of Young Children as of June 30, 2019, 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 New Mexico Association for the Education of Young Children's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Restatement of Prior Period Financial Statements

As discussed in Note 10 to the financial statements, it was determined by management that there was a financial statement misstatement for the year ended June 30, 2018. The effect on the financial statements was to restate deferred revenue and record revenue as grants and contributions with restrictions and without restrictions. Accordingly, the June 30, 2018 financial statements have been restated to correct the misstatement. Our opinion is not modified with respect to that matter.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

October 26, 2019
Albuquerque, New Mexico

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

Statements of Financial Position

June 30, 2019 and 2018

ASSETS

	2019	2018
Current assets		
Cash and cash equivalents	\$ 534,655	\$ 282,240
Contracts and grants receivable	23,799	307,795
Total current assets	558,454	590,035
Property and equipment, net	15,571	19,464
Total assets	\$ 574,025	\$ 609,499

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 6,257	\$ 4,745
Accrued liabilities	8,695	7,111
Deferred revenue, as restated	-	-
Total current liabilities	14,952	11,856
Total liabilities	14,952	11,856
Net assets		
Without donor restrictions, as restated	483,488	519,691
With donor restrictions, as restated	75,585	77,952
Total net assets	559,073	597,643
Total liabilities and net assets	\$ 574,025	\$ 609,499

See independent auditors' report and notes to the financial statements

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

Statements of Activities and Changes in Net Assets
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants and contributions	\$ 221,219	\$ 75,585	\$ 296,804
Conferences	151,888	-	151,888
Membership dues	19,797	-	19,797
Other income	8,515	-	8,515
Net assets released from restrictions	77,952	(77,952)	-
Total revenue and support	479,371	(2,367)	477,004
Expenses			
Program services	425,568	-	425,568
Support services	90,006	-	90,006
Total expenses	515,574	-	515,574
Changes in net assets	(36,203)	(2,367)	(38,570)
Net assets, beginning of year, as restated	519,691	77,952	597,643
Net assets, end of year	\$ 483,488	\$ 75,585	\$ 559,073

See independent auditors' report and notes to the financial statements

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

Statements of Activities and Changes in Net Assets

For the year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Grants and contributions, as restated	\$ 1,763,080	\$ 77,952	\$ 1,841,032
Conferences	137,459	-	137,459
Membership dues	18,981	-	18,981
Other income	7,822	-	7,822
	<hr/>	<hr/>	<hr/>
Total revenue and support	1,927,342	77,952	2,005,294
Expenses			
Program services	1,664,256	-	1,664,256
Support services	243,046	-	243,046
	<hr/>	<hr/>	<hr/>
Total expenses	1,907,302	-	1,907,302
Changes in net assets, as restated	20,040	77,952	97,992
Net assets, beginning of year	<hr/> 499,651	<hr/> -	<hr/> 499,651
Net assets, end of year, as restated	<u>\$ 519,691</u>	<u>\$ 77,952</u>	<u>\$ 597,643</u>

See independent auditors' report and notes to the financial statements

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

Statement of Functional Expenses

For the year ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

	Program Services	Support Services	2019 Totals	2018 Totals
Salaries and wages	\$ 257,864	\$ 45,506	\$ 303,370	\$ 818,039
Travel and meals	57,929	-	57,929	53,244
Employee benefits	26,228	4,628	30,856	75,837
Miscellaneous	29,867	-	29,867	32,700
Rent	16,949	5,650	22,599	67,103
Professional fees	768	13,157	13,925	45,581
Printing	11,742	579	12,321	5,620
Supplies	9,440	2,541	11,981	3,260
Payroll taxes	8,639	1,524	10,163	25,823
Communications	3,434	5,740	9,174	3,933
Insurance	1,253	3,857	5,110	9,361
Depreciation	-	3,893	3,893	3,893
Education and training	-	2,188	2,188	7,479
NAEYC Affiliate Advisory Council	1,221	-	1,221	4,992
Board	-	514	514	1,436
Postage	66	199	265	2,988
Advertising	168	30	198	6,219
Scholarships	-	-	-	739,794
Total expenses	\$ 425,568	\$ 90,006	\$ 515,574	\$ 1,907,302

See independent auditors' report and notes to the financial statements

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

Statements of Cash Flows

For the years ended June 30, 2019 and 2018

	2019	2018
Cash from operating activities		
Changes in net assets, as restated	\$ (38,570)	\$ 97,992
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,893	3,893
(Increase) decrease in operating assets:		
Contracts and grants receivable	283,996	131,821
Increase (decrease) in operating liabilities:		
Accounts payable	1,512	853
Accrued liabilities	1,584	(11,890)
Deferred revenue	-	(67,250)
	252,415	155,419
Net cash provided by operating activities		
	252,415	155,419
Net increase in cash		
	282,240	126,821
Cash and cash equivalents, beginning of year		
	534,655	282,240
Cash and cash equivalents, end of year	\$	\$

See independent auditors' report and notes to the financial statements

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

Notes to the Financial Statements
June 30, 2019 and 2018

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.

For fourteen years, NMAEYC has administered 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. NMAEYC 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.

In 2019, CYFD and PED issued early childhood scholarships in a different way and did not contract with NMAEYC for T.E.A.C.H. Early Childhood Scholarships. NMAEYC's work will continue with its annual conference and with other professional development and advocacy activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

NMAEYC's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 2016-14, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 2016-14, the NMAEYC is required to report information regarding its financial position and activities according to two classes of net assets, without donor restrictions and with donor restrictions. In addition, the NMAEYC is required to present a statement of cash flows.

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.

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

Notes to the Financial Statements
June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, NMAEYC adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies, in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets are now reported as net assets with donor restrictions.

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.

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.

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.

Cash and Cash Equivalents

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

Contracts and Grants Receivable

Contracts and grants receivable 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.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION OF
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Notes to the Financial Statements
June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts and Grants Receivable (continued)

Receivables are charged off in the period in which the management determines the receivable is uncollectible. As of June 30, 2019 and 2018, 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Support

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**NEW MEXICO ASSOCIATION FOR THE EDUCATION OF
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Notes to the Financial Statements
June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. NMAEYC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 Revenue Recognition, if the services (a) create or enhance non-financial assets or (b) require specialized skills, performed by people with those skills, which would otherwise be purchased by NMAEYC. There were no donated materials or services during the years ended June 30, 2019 and 2018.

Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$198 and \$6,219 for the years ended June 30, 2019 and 2018, respectively.

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, 2019 and has evaluated its tax positions taken for all open tax years. Currently, the 2015, 2016 and 2017 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.

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

Notes to the Financial Statements
June 30, 2019 and 2018

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 44,283	\$ 44,283
Total property and equipment	44,283	44,283
Accumulated depreciation	<u>(28,712)</u>	<u>(24,819)</u>
Property and equipment, net	<u>\$ 15,571</u>	<u>\$ 19,464</u>

Depreciation expense was \$3,893 for the years ended June 30, 2019 and 2018.

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Advocacy	\$ 75,585	\$ 48,621
T.E.A.C.H.	-	14,685
INCENTIVES\$	-	8,646
Shared Services	<u>-</u>	<u>6,000</u>
Total net assets with donor restrictions	<u>\$ 75,585</u>	<u>\$ 77,952</u>

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions due to satisfaction of purpose restrictions as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Advocacy	\$ 48,621	\$ -
T.E.A.C.H.	14,685	-
INCENTIVES\$	8,646	-
Shared Services	<u>6,000</u>	<u>-</u>
Total net assets released from donor restrictions	<u>\$ 77,952</u>	<u>\$ -</u>

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

Notes to the Financial Statements
June 30, 2019 and 2018

NOTE 6 - CONCENTRATION OF SUPPORT

NMAEYC's contracts with the NMCYFD represent 74% of total support in 2018. The receivable from NMCYFD was \$302,699 in 2018. NMAEYC received contributions from one grantor which represented 41% of total support in 2019.

NOTE 7 - LEASES

NMAEYC leases office space which expires in 2023. NMAEYC also leases office equipment under operating leases that expires in July 2022. The monthly lease payments range from approximately \$140 to \$783 during the term of the lease. Rent expense related to these leases totaled \$10,756 and \$67,103 for the years ended June 30, 2019 and 2018, respectively.

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

2020	\$	10,248
2021		10,525
2022		10,790
2023		9,509
2024		783
		<hr/>
Total	\$	<u>41,855</u>

NOTE 8 - LIQUIDITY AND AVAILABILITY

NMAEYC receives significant revenue from grants and contributions without donor restrictions, and such support has historically represented approximately 46% and 88% of annual program funding in 2019 and 2018, respectively.

As part of NMAEYC's liquidity management, it ensures its financial assets are available as its general expenditures, liabilities and other obligations become due. As of June 30, 2019 and 2018, NMAEYC had a working capital of approximately \$543,502 and \$578,179 and average days cash on hand of 373 days and 53 days, respectively.

NMAEYC manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and

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

Notes to the Financial Statements
June 30, 2019 and 2018

NOTE 8 - LIQUIDITY AND AVAILABILITY (continued)

- Maintaining sufficient reserves to provide reasonable assurance that grant commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of NMAEYC.

Financial assets available for general expenditures within one year as of June 30 are as follows:

	2019	2018
Financial assets as of year end:		
Cash and cash equivalents	\$ 534,655	\$ 282,240
Contracts and grants receivable	23,799	307,795
Total financial assets	558,454	590,035
Less net assets with purpose restrictions expected to be met within one year	75,585	77,952
Total financial assets available for general expenditures within one year	<u>\$ 482,869</u>	<u>\$ 512,083</u>

NOTE 9 - SUBSEQUENT EVENTS

NMAEYC has evaluated all events occurring subsequent to June 30, 2019 and through October 26, 2019, which is the date that the financial statements were issued, or available to be issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 10 - PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

It was determined that there was a financial statement misstatement for the year ended June 30, 2018. In complying with revenue recognition principles and newly adopted Accounting Standards Update (ASU) No. 2016-14, management determined that a correction was necessary and restated its previously reported financial statements as of and for the year ended June 30, 2018. The effect on the financial statements was to restate deferred revenue and record revenue as grants and contributions with restrictions and without restrictions.

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

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 10 - PRIOR PERIOD ADJUSTMENT AND RESTATEMENT (continued)

The impact of the restatement is as follows:

	2018 as previously reported	Restatement adjustment	2018 as restated
Statement of Financial Position			
Deferred revenue	\$ 224,108	\$ (224,108)	\$ -
Net assets			
Without donor restrictions	373,535	146,156	519,691
With donor restrictions	-	77,952	77,952
Statement of Activities			
Grants and contributions			
Without donor restrictions	1,616,924	146,156	1,763,080
With donor restrictions	-	77,952	77,952
Changes in net assets			
Without donor restrictions	(126,116)	146,156	20,040
With donor restrictions	-	77,952	77,952