

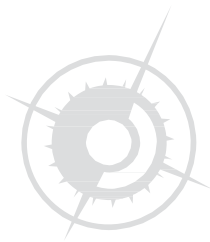
**NEW MEXICO ASSOCIATION FOR THE
EDUCATION OF YOUNG CHILDREN**

Financial Statements
and
Independent Accountants' Review Report

For the Years Ended
June 30, 2020 and 2019

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SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
New Mexico Association for the Education of Young Children
Albuquerque, New Mexico

We have reviewed the accompanying financial statements of New Mexico Association for the Education of Young Children (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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'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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

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 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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

October 19, 2020
Albuquerque, New Mexico

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

Statements of Financial Position

June 30, 2020 and 2019

ASSETS

	2020	2019
Current assets		
Cash and cash equivalents	\$ 524,046	\$ 534,655
Contracts and grants receivable	19,769	23,799
Total current assets	543,815	558,454
Property and equipment, net	-	15,571
Total assets	\$ 543,815	\$ 574,025

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 5,098	\$ 6,257
Accrued liabilities	7,412	8,695
Total current liabilities	12,510	14,952
Long-term debt	36,390	-
Total liabilities	48,900	14,952
Net assets		
Without donor restrictions	432,411	470,988
With donor restrictions	62,504	88,085
Total net assets	494,915	559,073
Total liabilities and net assets	\$ 543,815	\$ 574,025

See independent accountants' 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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Grants and contributions	\$ 189,756	\$ 108,000	\$ 297,756
Conferences	147,225	-	147,225
Membership dues	18,649	-	18,649
Other income	(13,471)	-	(13,471)
Net assets released from restrictions	<u>133,581</u>	<u>(133,581)</u>	<u>-</u>
Total revenue and support	475,740	(25,581)	450,159
Expenses			
Program services	427,210	-	427,210
Support services	<u>87,107</u>	<u>-</u>	<u>87,107</u>
Total expenses	<u>514,317</u>	<u>-</u>	<u>514,317</u>
Changes in net assets	(38,577)	(25,581)	(64,158)
Net assets, beginning of year	<u>470,988</u>	<u>88,085</u>	<u>559,073</u>
Net assets, end of year	<u>\$ 432,411</u>	<u>\$ 62,504</u>	<u>\$ 494,915</u>

See independent accountants' 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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Grants and contributions	\$ 208,719	\$ 88,085	\$ 296,804
Conferences	151,888	-	151,888
Membership dues	19,797	-	19,797
Other income	8,515	-	8,515
Net assets released from restrictions	<u>77,952</u>	<u>(77,952)</u>	<u>-</u>
Total revenue and support	466,871	10,133	477,004
Expenses			
Program services	425,568	-	425,568
Support services	<u>90,006</u>	<u>-</u>	<u>90,006</u>
Total expenses	<u>515,574</u>	<u>-</u>	<u>515,574</u>
Changes in net assets	(48,703)	10,133	(38,570)
Net assets, beginning of year	<u>519,691</u>	<u>77,952</u>	<u>597,643</u>
Net assets, end of year	<u>\$ 470,988</u>	<u>\$ 88,085</u>	<u>\$ 559,073</u>

See independent accountants' 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, 2020

(with comparative totals for the year ended June 30, 2019)

	Program Services	Support Services	2020 Totals	2019 Totals
Salaries and wages	\$ 271,384	\$ 47,891	\$ 319,275	\$ 303,370
Travel and meals	64,672	-	64,672	57,929
Miscellaneous	34,919	-	34,919	29,867
Rent	14,039	4,680	18,719	22,599
Employee benefits	12,326	2,175	14,501	30,856
Payroll taxes	12,211	2,155	14,366	10,163
Professional fees	83	10,419	10,502	13,925
Printing	7,690	379	8,069	12,321
Communications	2,903	4,853	7,756	9,174
Insurance	1,856	5,715	7,571	5,110
Supplies	3,046	2,541	5,587	11,981
Education and training	-	5,380	5,380	2,188
Advertising	1,886	333	2,219	198
Postage	195	586	781	265
Depreciation	-	-	-	3,893
NAEYC Affiliate Advisory Council Board	-	-	-	1,221
	-	-	-	514
Total expenses	\$ 427,210	\$ 87,107	\$ 514,317	\$ 515,574

See independent accountants' 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, 2020 and 2019

	2020	2019
Cash from operating activities		
Changes in net assets	\$ (64,158)	\$ (38,570)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	-	3,893
Loss on disposal of assets	15,571	-
Decrease in operating assets:		
Contracts and grants receivable	4,030	283,996
Increase (decrease) in operating liabilities:		
Accounts payable	(1,159)	1,512
Accrued liabilities	(1,283)	1,584
	(46,999)	252,415
Net cash (used) provided by operating activities		
Cash from financing activities		
Proceeds from long-term debt	36,390	-
	36,390	-
Net cash provided by financing activities		
Net (decrease) increase in cash	(10,609)	252,415
Cash and cash equivalents, beginning of year	534,655	282,240
Cash and cash equivalents, end of year	\$ 524,046	\$ 534,655

See independent accountants' report and notes to the financial statements

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

Notes to the Financial Statements

June 30, 2020 and 2019

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'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.

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 and statement of functional expenses.

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.

Adoption of New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires NMAEYC to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which NMAEYC expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

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

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncements (continued)

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. NMAEYC adopted the requirements of the new guidance retrospectively to all periods presented in this report. Adoption of the new guidance did not result in significant changes to the accounting policies for revenue recognition, receivables, and deferred revenues since most of NMAEYC's revenue sources are not included in the scope of ASU 2014-09.

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, and accrued liabilities approximate fair value due to the short maturity periods of these instruments.

Concentrations of Credit Risk

NMAEYC maintains its cash balances in one financial institution in Albuquerque, New Mexico. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. NMAEYC has not experienced any loss in such accounts. The uninsured balances totaled approximately \$274,046 and \$284,655 as of June 30, 2020 and 2019, respectively. NMAEYC does not anticipate significant credit risk from these excess deposits.

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, 2020 and 2019

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. No allowance was recorded as of June 30, 2020 and 2019, as 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
YOUNG CHILDREN**

Notes to the Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019.

Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$2,219 and \$198 for the years ended June 30, 2020 and 2019, 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, 2020 and has evaluated its tax positions taken for all open tax years. 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, 2020 and 2019

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 8,466	\$ 44,283
Total property and equipment	8,466	44,283
Accumulated depreciation	<u>(8,466)</u>	<u>(28,712)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ 15,571</u>

Depreciation expense was zero and \$3,893 for the years ended June 30, 2020 and 2019.

NOTE 4 - LONG-TERM DEBT

In May 2020, NMAEYC received loan proceeds in the amount of \$36,390 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels.

The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Forgiveness of the loan is contingent upon the satisfaction of conditions stipulated in the loan agreement that, as of year-end, have not been fully satisfied. As such, the entire amount of the loan is recognized as a noncurrent liability in the statement of financial position. NMAEYC currently believes that its use of the loan proceeds will meet the conditions for at least partial forgiveness of the loan.

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

Notes to the Financial Statements
June 30, 2020 and 2019

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Advocacy	\$ 62,504	\$ 88,085
Total net assets with donor restrictions	<u>\$ 62,504</u>	<u>\$ 88,085</u>

NOTE 6 - 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>2020</u>	<u>2019</u>
Advocacy	\$ 133,581	\$ 48,621
T.E.A.C.H.	-	14,685
INCENTIVES	-	8,646
Shared Services	-	6,000
Total net assets released from donor restrictions	<u>\$ 133,581</u>	<u>\$ 77,952</u>

NOTE 7 - CONCENTRATION OF SUPPORT

NMAEYC received contributions from one grantor that represented 33% and 41% of total support in 2020 and 2019, respectively.

NOTE 8 - LEASES

NMAEYC leased office space under an operating lease that expired December 2019. NMAEYC also leased office equipment under operating leases that expired in December 2019 and were taken over by their previous landlord. The monthly lease payments range from approximately \$140 to \$783 during the term of the lease. Rent expense related to these leases totaled \$5,951 and \$10,756 for the years ended June 30, 2020 and 2019, respectively, and is included in “rent” in the statement of functional expenses.

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

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 9 - LIQUIDITY AND AVAILABILITY

NMAEYC receives significant revenue from grants and contributions without donor restrictions, and such support represented approximately 42% and 46% of annual program funding in 2020 and 2019, 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, 2020 and 2019, NMAEYC had a working capital of approximately \$531,305 and \$543,502 and average days cash on hand of 367 days and 373 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
- 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:

	<u>2020</u>	<u>2019</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 524,046	\$ 534,655
Contracts and grants receivable	<u>19,769</u>	<u>23,799</u>
Total financial assets available for general expenditures within one year	<u>\$ 543,815</u>	<u>\$ 558,454</u>

NOTE 10 - SUBSEQUENT EVENTS

NMAEYC has evaluated all events occurring subsequent to June 30, 2020 and through October 19, 2020, which is the date that the financial statements were issued, or available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2020.

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

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 10 - SUBSEQUENT EVENTS (continued)

In December 2019, the World Health Organization declared the outbreak from the novel strain of coronavirus to constitute a “Public Health Emergency of International Concern”. The outbreak has resulted in a disruption of supply chains, production, and sales across a broad range of industries. The extent of the impact on the NMAEYC’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, donors, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which the outbreak may impact the NMAEYC’s financial condition and results of operations is uncertain.