

**Iowa Association for the Education of Young Children
Urbandale, Iowa**

FINANCIAL REPORT

June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Iowa Association for the Education of Young Children
Urbandale, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Iowa Association for the Education of Young Children, a nonprofit corporation, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Iowa Association for the Education of Young Children, as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2024, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.


Denman CPA LLP

West Des Moines, Iowa
September 5, 2024

**Iowa Association for the Education of Young Children
STATEMENTS OF FINANCIAL POSITION**

		June 30	
		<u>2024</u>	<u>2023</u>
ASSETS	ASSETS		
Cash		\$1,051,882	\$ 75,185
Investments		192,030	—
Grants and contracts receivable		1,067,385	1,533,231
Prepaid expenses		67,051	29,873
Operating lease right of use assets		353,638	461,233
Website, net of accumulated amortization		<u>19,458</u>	<u>30,071</u>
Total assets		<u>\$2,751,444</u>	<u>\$2,129,593</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses		\$ —	\$ 5,661
Accrued employee compensation		80,220	78,461
Deferred revenue		17,251	25,889
Operating lease liability		<u>386,356</u>	<u>497,726</u>
Total liabilities		<u>483,827</u>	<u>607,737</u>
NET ASSETS , without donor restrictions		<u>2,267,617</u>	<u>1,521,856</u>
Total liabilities and net assets		<u>\$2,751,444</u>	<u>\$2,129,593</u>

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
STATEMENTS OF ACTIVITIES**

	Year ended June 30	
	<u>2024</u>	<u>2023</u>
REVENUES WITHOUT DONOR RESTRICTIONS		
TEACH program		
Iowa Department of Human Services	\$ 2,162,000	\$ 2,262,000
Iowa Department of Management	329,612	378,023
Iowa Department of Public Health	562,504	692,495
United Way of Central Iowa	—	78,000
Early Childhood Iowa, Polk County	—	92,000
Copayments from recipients	<u>85,182</u>	<u>85,888</u>
Total TEACH program	3,139,298	3,588,406
WAGE\$ grants and contract revenue	7,000,000	7,000,000
Other grants and contract revenue	495,593	668,892
Contributions and public support	6,533	12,818
Conference revenue	98,969	110,412
Membership dues	23,481	47,725
Sponsorship revenue	49,950	19,150
Investment return	25,039	726
Miscellaneous	<u>10,978</u>	<u>31,137</u>
Total revenues without donor restrictions	<u>10,849,841</u>	<u>11,479,266</u>
EXPENSES		
Program services—education and training	9,277,028	9,871,106
Supporting services—management and general	<u>827,052</u>	<u>776,728</u>
Total expenses	<u>10,104,080</u>	<u>10,647,834</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	745,761	831,432
NET ASSETS		
Beginning	<u>1,521,856</u>	<u>690,424</u>
Ending	<u>\$ 2,267,617</u>	<u>\$ 1,521,856</u>

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
STATEMENTS OF FUNCTIONAL EXPENSES**

	Year ended June 30, 2024			Year ended June 30, 2023		
	Program Services	Supporting services		Program services	Supporting services	
	Education and training	Management and general	Total	Education and training	Management and general	Total
Salaries	\$1,255,363	\$ 373,497	\$ 1,628,860	\$1,241,256	\$ 343,952	\$ 1,585,208
Payroll taxes	93,294	27,415	120,709	91,902	25,124	117,026
Employee benefits	<u>100,909</u>	<u>29,379</u>	<u>130,288</u>	<u>56,990</u>	<u>16,425</u>	<u>73,415</u>
Total salaries and related benefits	1,449,566	430,291	1,879,857	1,390,148	385,501	1,775,649
Scholarships						
TEACH program	1,626,245	542	1,626,787	1,259,935	929	1,260,864
WAGE\$ program	5,778,471	—	5,778,471	6,020,870	—	6,020,870
CDA assessments	57,400	—	57,400	43,100	—	43,100
Other	6,225	—	6,225	8,938	—	8,938
Travel	162,942	34,753	197,695	99,686	30,501	130,187
Continuing education	6,034	10,082	16,116	3,463	4,088	7,551
Occupancy	—	114,491	114,491	38,317	86,667	124,984
Supplies	13,412	17,055	30,467	18,910	23,832	42,742
Printing and publications	6,597	5,431	12,028	3,230	3,690	6,920
Payroll processing services	3,698	1,087	4,785	3,530	1,024	4,554
Postage	7,691	2,095	9,786	5,641	2,065	7,706
Telephone	4,448	7,016	11,464	2,238	5,286	7,524
Repairs and maintenance	742	5,679	6,421	3,232	89,356	92,588
Minor equipment	19,761	37,943	57,704	96,185	14,203	110,388
Conference costs	29,155	111,897	141,052	19,225	93,675	112,900
Meetings	722	3,611	4,333	467	9,688	10,155
Promotion costs	22,515	1,220	23,735	12,444	873	13,317
Professional fees	81,049	26,731	107,780	840,635	17,732	858,367
Insurance	—	1,114	1,114	—	1,114	1,114
Rebates	210	660	870	180	448	628
Depreciation and amortization	—	10,613	10,613	—	1,769	1,769
Miscellaneous	<u>145</u>	<u>4,741</u>	<u>4,886</u>	<u>732</u>	<u>4,287</u>	<u>5,019</u>
Totals	<u>\$9,277,028</u>	<u>\$ 827,052</u>	<u>\$10,104,080</u>	<u>\$9,871,106</u>	<u>\$ 776,728</u>	<u>\$10,647,834</u>

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 745,761	\$ 831,432
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	10,613	1,769
Reinvested interest and dividends	(1,639)	—
Realized and unrealized gains	(15,391)	—
Changes in assets and liabilities		
Grants and contracts receivable	465,846	(1,235,680)
Prepaid expenses	(37,178)	42,791
Right-of-use asset, net of lease liability	(3,775)	36,493
Accounts payable and accrued expenses	(5,661)	3,766
Accrued employee compensation	1,759	12,867
Deferred revenue	(8,638)	(28,551)
Net cash flows from operating activities	<u>1,151,697</u>	<u>(335,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(175,000)	—
Acquisition of equipment	—	(15,015)
Net cash flows from investing activities	<u>(175,000)</u>	<u>(15,015)</u>
NET CHANGE IN CASH	976,697	(350,128)
CASH		
Beginning	<u>75,185</u>	<u>425,313</u>
Ending	<u>\$1,051,882</u>	<u>\$ 75,185</u>

See Notes to Financial Statements.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Iowa Association for the Education of Young Children is an Iowa nonprofit corporation organized to serve and act on behalf of the needs, right and well being of all young children with primary focus on the promotion of educational and development services and resources for children, families and communities.

Basis of Presentation

As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, the Association reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those assets that have no donor imposed stipulations. The Association's governing board may earmark portions of its net assets without donor restrictions as board designated for various purposes.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Association is limited by donor imposed stipulations. As donor imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

The Association had only net assets without donor restrictions as of June 30, 2024 and 2023.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Grants and Contracts Receivable

Grants and contracts receivable consists primarily of amounts due from each of the Iowa Department of Health and Human Services, Iowa Department of Management, and Iowa Department of Public Health. The Association considers all receivables to be fully collectible, accordingly, no allowance for uncollectible receivables has been recorded. If accounts become uncollectible, they will be written off as the determination is made.

Investments

The Association carries investments in marketable securities with readily determinable fair values at their fair value in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities.

Leases

The Association determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use (ROU) assets and operating lease liabilities on the statement of financial position.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Association's leases do not provide an implicit rate, the Association has elected to use a risk free discount rate, as measured by the applicable U.S. Treasury instrument at the date of commencement. The ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Short term leases, leases with a term of 12 months or less, are recognized as expenses on the straight-line basis over the lease term.

Revenue

Public Support

Contributions are recognized as revenue when the donor makes a promise to give to the Association that is, in substance, unconditional. Conditional promises to give, that is, those contributions with a measurable and material performance or other barrier and a right of return, are not recognized as revenue until the donor's conditions are substantially met.

Generally, revenue from grants and contracts, including the Association's TEACH and WAGE\$ program contracts, are considered to be subject to conditions that must be met before the Association is entitled to funding. Generally, the terms of the grants and contracts provide for funding of the Association's operations based on an approved budget. The Association recognizes revenue from grants and contracts when all material barriers have been overcome in order for the Association to be entitled to the funding. Typically, these barriers are overcome when qualifying expenditures have been incurred. In the event funding is received in advance of the Association incurring expenditures, this amount is recorded as deferred revenue on the statements of financial position. Deferred revenue primarily consists of cash received from TEACH and WAGE\$ program contracts. If expenditures are incurred in advance of funding, they are recorded as receivables on the statements of financial position.

Fees for Service

Membership dues consists of amounts received from the National Association for the Education of Young Children, NAEYC, that represent the Association's allocation of the overall membership dues. Revenue is recognized as they are received from NAEYC. In many instances, the membership terms do not coincide with the Association's fiscal year. Performance obligations are satisfied equally over the membership terms.

Conference income is recorded as of the date the conference is held. Performance obligations are satisfied for these revenue streams at a point in time. Payment is generally due in advance of the date of the conference. Payments in advance of the date of the conference are recorded as deferred revenue until the period of performance.

Allocation of Functional Expenses

Expenses have been allocated to program or supporting services based on estimates of time and effort made by management.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Website

Website consists of costs incurred on the development of the Association's website and is amortized over three years.

Income Taxes

The Association is exempt from income taxes under Section 501(a) of the Internal Revenue Code as a nonprofit corporation as described in Section 501(c)(3).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability, or asset, for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Code. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Association is subject to routine audits by tax authorities; however, there are currently no audits for any tax period in progress. Management believes the Association is no longer subject to income tax examinations for tax years prior to 2020.

NOTE 2 CONCENTRATION OF REVENUES AND CASH

The Association receives a significant portion of its annual revenue from contracts and grants with the Iowa Department of Health and Human Services. Future contracts and grants with the Department is dependent upon appropriations by the Iowa state legislature.

At various times throughout the year, the Association has amounts on deposit with a financial institution in excess of FDIC insurance limits.

NOTE 3 LIQUIDITY AND AVAILABILITY

The Association monitors its liquidity in order to meet its operating needs while maximizing the investment of its excess cash. The Association's financial assets available within one year of the statements of financial position date for general expenses are as follows:

	June 30	
	<u>2024</u>	<u>2023</u>
Cash	\$1,051,882	\$ 75,185
Investments	192,030	—
Grants and contracts receivable	<u>1,067,385</u>	<u>1,533,231</u>
Totals	<u>\$2,311,297</u>	<u>\$1,608,416</u>

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENT RETURN

The Association follows the Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which establishes a framework for measuring fair value and expands disclosures about fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities, Level 1, and the lowest priority to unobservable inputs, Level 3. Level 1 inputs are quoted prices in active markets for identical assets or liabilities, Level 2 inputs are generally available indirect information, such as quoted prices for identical or similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. Level 3 inputs are the most subjective, and are generally based on management's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. The Association had no Level 2 or 3 investments at June 30, 2024.

Following is a description of the valuation methodologies used for the Association's investments measured at fair value:

Money market funds – Money market funds are valued at their cost basis plus accrued interest.

Mutual funds and exchange traded funds – These securities are valued at the daily closing price as reported by the fund/stock. These funds/stocks are deemed to be actively traded.

The following tables present the Association's investments measured at fair value:

<u>June 30, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 10,983	\$ –	\$ –	\$ 10,983
Mutual funds	101,086	–	–	101,086
Exchange-traded funds	<u>79,961</u>	<u>–</u>	<u>–</u>	<u>79,961</u>
	<u>\$ 192,030</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 192,030</u>

Investment return is summarized as follows for the year ended June 30, 2024:

Interest and dividend income	\$ 10,176
Change in unrealized gains	13,134
Realized gains	2,257
Investment fees	<u>(528)</u>
Total investment return	<u>\$ 25,039</u>

NOTE 5 PENSION PLAN

The Association has a defined contribution simplified employee pension plan. The plan covers all eligible employees. To be eligible to share in the Association's contributions, the employee must be employed for more than sixty days. The Association contributes up to 3% of the wages of eligible employees to the Plan. The Association's matching contribution to the Plan was \$45,387 and \$42,738 for the years ended June 30, 2024 and 2023, respectively.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 LEASES

The Association has leases for office space and office equipment with remaining lease terms of up to five years, with no renewal options.

The components of lease expense for the year ended June 30, 2024 were as follows:

	June 30	
	2024	2023
Operating lease cost	\$ <u>120,441</u>	\$ <u>120,441</u>

Supplemental cash flow information for the year ended June 30, 2024 related to leases was as follows:

	June 30	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ <u>124,216</u>	\$ <u>93,376</u>

Supplemental statement of financial position information as of June 30, 2024 related to leases was as follows:

	June 30	
	2024	2023
Operating leases		
Operating lease right of use assets	\$ <u>353,638</u>	\$ <u>461,233</u>
Operating lease liability, current portion	112,944	111,370
Operating lease liability, noncurrent portion	<u>273,412</u>	<u>386,356</u>
Total operating lease liability	<u>386,356</u>	<u>497,726</u>
Weighted Average Remaining Lease Term		
Operating leases	3.2 years	4.2 years
Weighted Average Discount Rate		
Operating leases	2.94%	2.94%

Maturities on lease liabilities are as follows:

Year ending June 30

2025	\$ 122,488
2026	123,942
2027	126,662
2028	<u>31,680</u>
Total lease payments	404,772
Less present value discount	<u>18,416</u>
Total	\$ <u>386,356</u>

In June 2024, the Association entered into an office space lease agreement with an initiation date of September 2024. The lease agreement calls for monthly lease payments beginning at approximately \$7,270 and increasing annually over the term of the lease, which runs through November 2032. Correspondingly, the Association is negotiating the early termination of its current office lease, which has an initial termination date of September 30, 2027.

**Iowa Association for the Education of Young Children
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 CONDITIONAL GRANT AWARDS

The table below summarizes the Association's conditional grant awards as of June 30, 2024. A conditional grant award is a promise by a grantor to contribute cash or other assets, but only if the Association achieves certain conditions. Thus, the Association does not have a right to the promised amounts until the conditions are met. The amounts below are not recorded within the Association's financial statements.

Iowa Department of Public Health TEACH Contract

\$ 384,307

NOTE 8 SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 5, 2024, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

SUPPLEMENTARY INFORMATION

Iowa Association for the Education of Young Children
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2024

<u>Federal grantor/pass-through grantor/ pass through grant description and identifying number</u>	<u>Assistance listing number</u>	<u>Agency or pass-through number</u>	<u>Federal expenditures</u>
United States Department of Health and Human Services			
<i>Passed through Iowa Department of Health and Human Services</i>			
Child Care and Development Block Grant – TEACH scholarships	93.575	ACFS 19-006	\$2,162,000
Child Care and Development Block Grant – WAGES	93.575	ACFS 22-006	<u>7,000,000</u>
Total Child Care and Development Block Grant			<u>9,162,000</u>
Maternal, Infant and Early Childhood Home Visiting Grant – TEACH scholarships	93.870	5888CH19	<u>538,771</u>
Total United States Department of Health and Human Services			<u>9,700,771</u>
Total expenditures of federal awards			<u>\$9,700,771</u>

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Iowa Association for the Education of Young Children under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Association.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular 122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The Association has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

See Accompanying Independent Auditor's Report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Iowa Association for the Education of Young Children
Urbandale, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Iowa Association for the Education of Young Children which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting, internal control, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Denman CPA LLP

West Des Moines, Iowa
September 5, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Iowa Association for the Education of Young Children
Urbandale, Iowa

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Iowa Association for the Education of Young Children's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2024. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Uniform Guidance. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Association's compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Denman CPA LLP
Denman CPA LLP

West Des Moines, Iowa
September 5, 2024

**Iowa Association for the Education of Young Children
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2024**

SECTION I—SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. generally accepted accounting principles:

Unmodified Opinion

Internal control over financial reporting:

- | | | |
|---|-----------|----------------------------|
| ➤ Material weakness(es) identified? | _____ Yes | <u> X </u> No |
| ➤ Significant deficiency(ies) identified? | _____ Yes | <u> X </u> None Reported |

Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No
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Federal Awards

Internal control over major federal programs:

- | | | |
|---|-----------|----------------------------|
| ➤ Material weakness(es) identified? | _____ Yes | <u> X </u> No |
| ➤ Significant deficiency(ies) identified? | _____ Yes | <u> X </u> None Reported |

Type of auditor's report issued on compliance for major federal programs:

Unmodified opinion

- | | | |
|--|-----------|-----------------|
| ➤ Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ Yes | <u> X </u> No |
|--|-----------|-----------------|

Identification of major federal programs:

Assistance Listing Number 93.575 – Child Care and Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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