The Division for Early Childhood of the Council for Exceptional Children

Financial Statements
and Independent Auditors' Report

June 30, 2021 and 2020

The Division for Early Childhood of the Council for Exceptional Children

Financial Statements
June 30, 2021 and 2020

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Division for Early Childhood
of the Council for Exceptional Children

We have audited the accompanying financial statements of The Division for Early Childhood of the Council for Exceptional Children ("the Division"), which comprise the statements of financial position as of June 30, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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.

Auditor's Responsibility (continued)

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 the Division as of June 30, 2021 and 2020, 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.

Rogers + Company PLLC

Vienna, Virginia
March 23, 2022

The Division for Early Childhood of the Council for Exceptional Children

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 936,835	$ 464,771
Accounts receivable	62,842	121,765
Prepaid expenses	20,635	20,718
Inventory	47,538	49,164
Cash equivalents and certificate of deposit held for endowment	45,682	45,630
Total assets	$ 1,113,532	$ 702,048
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 44,293	$ 27,514
Deferred revenue	143,976	52,657
Loan payable – Paycheck Protection Program	46,672	58,558
Total liabilities	234,941	138,729
Net Assets		
Without donor restrictions	832,909	517,689
With donor restrictions	45,682	45,630
Total net assets	878,591	563,319
Total liabilities and net assets	$ 1,113,532	$ 702,048

The Division for Early Childhood of the Council for Exceptional Children

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Conference revenue	$ 378,395	$ -	$ 378,395
Membership dues	85,767	-	85,767
Publications and subscriptions	148,005	-	148,005
Government contracts	418,213	-	418,213
Contributions and grants	1,222	-	1,222
Interest and return on endowments	8	52	60
Royalties	14,410	-	14,410
Other revenue	58,996	-	58,996
Total revenue and support	1,105,016	52	1,105,068
Expenses			
Program services:			
Conference	122,233	-	122,233
Education and publications	432,106	-	432,106
Member services	85,059	-	85,059
Total program services	639,398	-	639,398
Supporting services:			
General and administrative	150,398	-	150,398
Total supporting services	150,398	-	150,398
Total expenses	789,796	-	789,796
Change in Net Assets	315,220	52	315,272
Net Assets, beginning of year	517,689	45,630	563,319
Net Assets, end of year	$ 832,909	$ 45,682	$ 878,591

The Division for Early Childhood of the Council for Exceptional Children

Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Conference revenue	$ 372,979	$ -	$ 372,979
Membership dues	85,405	-	85,405
Publications and subscriptions	136,878	-	136,878
Government contracts	427,084	-	427,084
Contributions and grants	649	-	649
Interest and return on endowments	37	(33)	4
Royalties	13,743	-	13,743
Other revenue	463	-	463
Released from restrictions	1,000	(1,000)	-
Total revenue and support	1,038,238	(1,033)	1,037,205
Expenses			
Program services:			
Conference	237,948	-	237,948
Education and publications	506,941	-	506,941
Member services	105,591	-	105,591
Total program services	850,480	-	850,480
Supporting services:			
General and administrative	91,014	-	91,014
Total supporting services	91,014	-	91,014
Total expenses	941,494	-	941,494
Change in Net Assets	96,744	(1,033)	95,711
Net Assets, beginning of year	420,945	46,663	467,608
Net Assets, end of year	$ 517,689	$ 45,630	$ 563,319

See accompanying notes.

The Division for Early Childhood of the Council for Exceptional Children

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				
	Conference	Education and Publications	Member Services	General and Administrative	Total Expenses
Salaries and fringe benefits	$ 75,816	$ 129,770	$ 37,908	$ 46,297	$ 289,791
Cost of publications	20,380	97,756	28,527	5,563	152,226
Contract services	1,140	21,279	12,128	38,241	72,788
Minor equipment/rental	-	2,135	-	3,364	5,499
Dues and publications	-	720	590	429	1,739
Honoraria	2,025	2,500	-	-	4,525
Outreach	859	52	2,019	292	3,222
Postage and printing	139	23,657	-	210	24,006
Utilities	-	-	-	561	561
Space costs/meeting rooms	9,344	-	885	60	10,289
Supplies	29	52	2,066	1,491	3,638
Travel and training	2,770	49	936	3,794	7,549
Sponsorships	1,518	-	-	-	1,518
Partnership activity	-	152,256	-	41,000	193,256
Insurance	1,081	-	-	8,280	9,361
Bank/credit card processing	7,132	1,880	-	816	9,828
Total Expenses	$ 122,233	$ 432,106	$ 85,059	$ 150,398	$ 789,796

See accompanying notes.

The Division for Early Childhood of the Council for Exceptional Children

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				
	Conference	Education and Publications	Member Services	General and Administrative	Total Expenses
Salaries and fringe benefits	$ 75,022	$ 118,870	$ 37,511	$ 40,722	$ 272,125
Cost of publications	15,832	101,984	26,496	3,784	148,096
Contract services	8,636	23,220	12,268	35,674	79,798
Minor equipment/rental	64,970	2,464	-	662	68,096
Dues and publications	-	-	150	1,334	1,484
Honoraria	5,500	-	-	-	5,500
Outreach	2,207	-	1,817	4,308	8,332
Postage and printing	2,246	19,437	-	-	21,683
Space costs/meeting rooms	43,503	2,700	3,950	718	50,871
Supplies	741	-	2,193	1,031	3,965
Travel and training	7,395	-	18,798	2,512	28,705
Partnership activity	-	236,052	-	-	236,052
Insurance	1,081	-	2,408	-	3,489
Bank/credit card processing	10,815	2,105	-	269	13,189
Bad debt	-	109	-	-	109
Total Expenses	$ 237,948	$ 506,941	$ 105,591	$ 91,014	$ 941,494

See accompanying notes.

The Division for Early Childhood of the Council for Exceptional Children

Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 315,272	$ 95,711
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on endowments	(52)	33
Forgiveness on loan payable – Paycheck Protection Program	(58,558)	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	58,923	(16,575)
Prepaid expenses	83	6,132
Inventory	1,626	5,980
Increase (decrease) in:		
Accounts payable and accrued expenses	16,779	2,892
Deferred revenue	91,319	(138,718)
Net cash provided by (used in) operating activities	425,392	(44,545)
Cash Flows from Investing Activity		
Proceeds from sales of assets held for endowments	-	1,000
Net cash provided by investing activity	-	1,000
Cash Flows from Financing Activity		
Proceeds from issuance of loan – Paycheck Protection Program	46,672	58,558
Net cash provided by financing activity	46,672	58,558
Net Increase in Cash and Cash Equivalents	472,064	15,013
Cash and Cash Equivalents, beginning of year	464,771	449,758
Cash and Cash Equivalents, end of year	$ 936,835	$ 464,771

See accompanying notes.

1. Nature of Operations

The Division for Early Childhood of the Council for Exceptional Children ("the Division") is a professional membership organization designed for individuals who work with or on behalf of children with special needs, birth through age eight, and their families. Founded in 1973, the Division is dedicated to promoting policies and practices that support families and enhance the optimal development of children. Children with special needs include those who have disabilities, developmental delays, are gifted and talented, or are at risk of future developmental problems.

The Division (1) focuses on the promotion of parent-professional collaboration in the implementation of early childhood intervention services, (2) advocates for policy, planning, and best practices in prevention and intervention, and (3) supports those who work with or on behalf of young children with special needs and their families, and accomplishes these goals through professional development, collaboration, research, and dissemination of information.

The Division is a nonprofit corporation under Internal Revenue Code (IRC) Section 501(c)(3). The Division is a Montana Corporation operating in Colorado and California as foreign corporations. Members of the Division are located throughout the United States, Canada, and other countries.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Division's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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.

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purpose of the statements of cash flows, the Division considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

Accounts Receivable

Accounts receivable represents the amounts owed to the Division from the Council for Exceptional Children (CEC) and amounts due from publications and members. The CEC collects payments for dues and subscriptions on behalf of the Division, and pays for related costs of those activities. As of June 30, 2021 and 2020, CEC held cash for the Division of $8,639 and $24,720, respectively. These amounts are included in accounts receivable.

The Division uses the specific write-off method for recording bad debts, which is not a method generally accepted under current accounting standards. The difference between these two methods is not considered material to the financial statements. Management reviews individual receivables periodically and writes off any receivable deemed uncollectible. There were no amounts written off during the years ended June 30, 2021 and 2020. Account receivables are stated at unpaid balances. Account receivables are considered past due when not collected in accordance with contractual terms. No receivables have been considered past due at June 30, 2021 and 2020. No interest is charged on accounts receivable.

Inventory

Inventory consists of publications, which are valued at the lower of cost or market on average cost method. Obsolete or slow-moving inventory is written off based on assumptions about future demand and marketability.

Certificate of Deposit

At June 30, 2020, the Division held a certificate of deposit with an original maturity date greater than a period of 90 days that was carried at amortized cost. Interest earned on the certificate of deposit is included in the accompanying statement of activities. This certificate of deposit did not qualify as a security as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities.*

2. Summary of Significant Accounting Policies (continued)

Certificate of Deposit (continued)

Therefore, this investment is not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures.* The Division did not hold a certificate of deposit at June 30, 2021.

Revenue Recognition

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Division satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Division expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Division combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Conference revenue consists of registration fees, exhibitors, advertising, and other event revenue. Revenue is recognized when the conference and other events are held and services are provided. Amounts received in advance are deferred and recognized when the performance obligations are met.

Membership dues revenue is recognized ratably over the related membership period. Membership dues payments collected in advance of the related membership period are recorded as deferred revenue until earned over the membership period.

Publications and subscriptions revenue is recognized as revenue when the performance obligations under the contract arrangements are met. Payments received in advance are recorded as deferred revenue until earned.

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Division reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Division's programs or to a future year.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Division is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Additionally, the Division has agreements with government agencies. The agreements contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by the Division before the governmental agency will reimburse those expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising Expenses

The Division expenses advertising costs as incurred. Advertising expenses were $1,203 and $2,327 for the years ended June 30, 2021 and 2020, respectively.

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Division's fiscal year 2023.

Subsequent Events

In preparing these financial statements, the Division has evaluated events and transactions for potential recognition or disclosure through March 23, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Division strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews the Division's liquid asset needs and adjusts the cash and cash equivalents balances as necessary.

Additionally, the Division considers unappropriated endowment earnings, which are amounts held in cash and cash equivalents and a certificate of deposit, for use in current programs that are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures.

Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at June 30:

	2021	2020
Cash and cash equivalents	$ 936,835	$ 464,771
Accounts receivable	62,842	121,765
Cash equivalents and certificate of deposit held for endowment — available for expenditures	775	723
Total available for general expenditures	$ 1,000,452	$ 587,259

4. Concentration of Credit Risk

Financial instruments that potentially subject the Division to significant concentrations of credit risk consist of cash and cash equivalents, and a certificate of deposit. The Division maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC).

The Division has not experienced any credit losses on its cash and cash equivalents, and its certificate of deposit to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Revenue from Contracts with Customers

The Division's membership dues include quarterly journal and other membership benefits, such as access to the members-only section of the website, e-newsletter subscriptions, and discounts on certain services and events. The promises to deliver all of the performance obligations included in the membership dues, other than the journal subscription, are distinct; however, the Division has determined that each individual benefit is not material in the context of the membership agreement and should be accounted for as a single performance obligation.

All the membership benefits are received simultaneously and the membership performance obligation is satisfied over time. Accordingly, membership benefits are recognized ratably over the membership period.

All other types of deferred revenue payments, such as deferred conference revenue, are recognized as revenue in the accompanying statements of activities as the performance obligation is met.

5. Revenue from Contracts with Customers (continued)

The following table provides information about changes in deferred revenue for the years ended June 30:

	Deferred Dues	Deferred Conference Revenue	Total
Balance at June 30, 2019	$ 38,848	$ 152,527	$ 191,375
Change in deferred revenue	4,215	(142,933)	(138,718)
Balance at June 30, 2020	43,063	9,594	52,657
Change in deferred revenue	(2,776)	94,095	91,319
Balance at June 30, 2021	$ 40,287	$ 103,689	$ 143,976

6. Loan Payable – Paycheck Protection Program

The Division applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which the Division qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

The initial loan was granted to the Division on May 6, 2020 in the amount of $58,558, with terms including a 1.00% fixed interest rate. The loan was scheduled to mature on May 6, 2022. On June 14, 2021 the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals. The forgiveness amount is recognized in other revenue in the accompanying statement of activities for the year ended June 30, 2021.

6. Loan Payable – Paycheck Protection Program (continued)

The Division was granted a second draw on the loan on May 14, 2021, in the amount of $46,672, with terms similar to the initial draw, including a 1.00% fixed interest rate. The loan was scheduled to mature on May 14, 2026. Subsequent to year end on February 18, 2022, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals.

At June 30, 2021 and 2020, the outstanding loan amounts are reflected as loan payable in the accompanying statements of financial position.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at June 30:

	2021	2020
Unappropriated endowment earnings	$ 775	$ 723
Rose C. Engel endowment fund	20,000	20,000
J. David Sexton endowment fund	24,907	24,907
Total net assets with donor restrictions	$ 45,682	$ 45,630

8. Endowment

The Division's endowment has been funded by donor-restricted contributions to be held in perpetuity, the earnings of which can be used for travel assistance awards. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Rose C. Engel Endowment Fund

In 1994, the Division received a $20,000 contribution to establish the Rose C. Engel endowment fund. The principal of the fund is to remain intact, while income earned by the fund is to be used to make annual cash awards to outstanding professionals meeting established criteria. Earnings on the endowment are classified as net assets with donor restrictions, along with the principal of the endowment. The balance of the Rose C. Engel endowment fund as of June 30, 2021 and 2020 was $20,690 and $20,641, respectively.

8. Endowment (continued)

J. David Sexton Endowment Fund

In 2001, the Division received contributions to establish the J. David Sexton endowment fund. The principal of the fund is to remain intact, with income earned to be divided equally among principal and a fund for doctoral student awards. Funds for the doctoral student awards are classified as net assets with donor restrictions until awarded. Once the principal balance reaches $40,000, the Board may use all of the income generated to fund other research-related activities, as long as the student cash award is at a minimum of $500 per year. The balance of the J. David Sexton endowment fund as of June 30, 2021 and 2020 was $24,992 and $24,989, respectively.

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

In accordance with MUPMIFA, the Division considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Division and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Division; and (7) investment policies of the Division.

Spending Policy

The remaining portion of the donor-restricted endowment fund that is not classified in the principal of the endowment fund is also classified as donor-restricted, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA.

8. Endowment (continued)

Return Objectives, Risk Parameters, and Strategies

The Division has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as Board-designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce consistent results while assuming a prudent level of investment risk. The Division targets an asset allocation of fixed income, certificates of deposit, and cash equivalents.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by the Division in net assets without donor restrictions. These deficiencies result from unfavorable market fluctuations that occur during the investment of the donor-restricted contribution and continued appropriation for certain programs that are deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2021 and 2020.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Division's spending policy allows an annual distribution not to exceed the average net earnings, growth, and income. Any portion of the annual distribution funds not distributed in any given year will be retained in the endowment fund for expenditure in future years. The Division expects its spending policy to allow the endowment to grow and to maintain the purchasing power of the endowment assets.

8. Endowment (continued)

Composition of Endowment Funds

Endowment net asset composition was as follows at June 30:

	2021	2020
Rose C. Engel endowment	$ 20,690	$ 20,641
J. David Sexton endowment	24,992	24,989
Total endowment net assets	$ 45,682	$ 45,630

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended June 30:

	2021	2020
Endowment funds, beginning	$ 45,630	$ 46,663
Investment return	52	(33)
Appropriations for expenditures	-	(1,000)
Endowment funds, ending	$ 45,682	$ 45,630

9. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Division utilizes a direct allocation methodology as its preferred method of allocating expenses, and it is used most often, provided it is reasonably efficient. Indirect allocation is used when the direct method is too burdensome, and the Division utilizes indirect allocation for certain natural categories of expenses. The expenses that are allocated indirectly include salaries, payroll taxes, and fringe benefits, which are allocated on the basis of estimates of time and effort.

10. Special Interest Groups

The Division established several Special Interest Groups (SIGs) to foster connections, further knowledge, and engage in conversations and activities that fall within shared interests of each SIG. The SIGs have no financial activity, and are simply groups who meet and discuss their shared interests. Accordingly, no financial activity is included in the Division's accompanying financial statements.

11. Commitments and Contingencies

Operating Leases

The Division holds several lease agreements for office space and storage space in various parts of the United States; however, all of the lease agreements operate on a month-to-month basis.

Litigation

The Division holds liabilities in potential litigation arising from its ordinary course of business. While the ultimate outcome of these matters can never be wholly determinable, it is the opinion of management that the resolution of any potential litigation will not have a material adverse effect on the financial position or results of operations of the Division.

Hotel Contracts

The Division entered into several agreements with various hotels for future meeting sites. In the event the Division cancels its agreement with the hotels, it can be held liable for liquidated damages or other cancellation fees.

Employment Agreements

The Division has employment agreements with several key employees. These agreements contain terms that require severance payments upon the occurrence of certain contractual events.

12. Employee Benefits

The Division has established a SIMPLE IRA plan ("the Plan"), which will match dollar for dollar employee elective deferrals up to 3% of wages earned during the year. All employees meeting certain eligibility requirements can participate in the Plan. For the years ended June 30, 2021 and 2020, the Division contributed $6,486 and $5,727 to the Plan, respectively.

13. Programs

Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into activity groups. The primary activity groups and their related purposes are summarized as follows:

<u>Conference</u>

Costs associated with the Division's annual conference focusing on the advancement of, and current issues of concern to, individuals who work with or on behalf of infants and young children who have special needs and their families, which include the conference planner, hotel accommodations, and printing of conference materials.

<u>Education and Publications</u>

Costs associated with quarterly publication of the *Journal of Early Intervention* and *Young and Exceptional Children* journals, books, monographs, and other publications are included in education and publications. Examples of expenses include copy editing and production costs. Also included are costs associated with the dissemination of early childhood information at the national and local level in order to advance early childhood intervention information and promote recommended practices. Examples include travel and relations professionals' fees.

<u>Member Services</u>

Member services costs include those associated with outreach services to associates, students, sponsored state subdivision members, and under-represented groups regarding the promotion of quality services for young children and their families. The Division supports local subdivisions by providing rebates based on local membership and administrative support. Examples of these expenses include website development, rebates and incentives, and costs associated with collection of member dues.

13. Programs (continued)

General and Administrative

Costs associated with the general administration and operations of the Division are not directly attributable to a specific program. Examples include administrative salaries and fringe benefits, space costs, office supplies, and accounting.

14. Income Taxes

The Division is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). For the years ended June 30, 2021 and 2020, there was no significant unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to the Division are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Division's tax positions and concluded that the financial statements do not include any uncertain tax positions.

15. COVID-19 Pandemic

The COVID-19 outbreak in the United States and around the world has caused business disruption due to mandatory lockdowns implemented in most states in order to slow down the spread of the virus. The Division's management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration, and the full financial impact cannot be reasonably estimated at this time.