

The Division for Early Childhood of the Council for Exceptional Children

Financial Statements
and Independent Auditors' Report

June 30, 2020 and 2019

The Division for Early Childhood of the Council for Exceptional Children

Financial Statements
June 30, 2020 and 2019

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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, 2020 and 2019; 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Division adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
January 6, 2021

The Division for Early Childhood of the Council for Exceptional Children

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 464,771	\$ 449,758
Accounts receivable	121,765	105,190
Prepaid expenses	20,718	26,850
Inventory	49,164	55,144
Cash equivalents and certificate of deposit held for endowment	<u>45,630</u>	<u>46,663</u>
Total assets	<u><u>\$ 702,048</u></u>	<u><u>\$ 683,605</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 27,514	\$ 24,622
Deferred revenue	52,657	191,375
Loan payable – Paycheck Protection Program	<u>58,558</u>	<u>-</u>
Total liabilities	<u>138,729</u>	<u>215,997</u>
 Net Assets		
Without donor restrictions	517,689	420,945
With donor restrictions	<u>45,630</u>	<u>46,663</u>
Total net assets	<u>563,319</u>	<u>467,608</u>
Total liabilities and net assets	<u><u>\$ 702,048</u></u>	<u><u>\$ 683,605</u></u>

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 and support	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)	-
	<u>1,038,238</u>	<u>(1,033)</u>	<u>1,037,205</u>
Total revenue and support			
Expenses			
Program services:			
Conference	237,948	-	237,948
Education and publications	506,941	-	506,941
Member services	120,829	-	120,829
	<u>865,718</u>	<u>-</u>	<u>865,718</u>
Total program services			
Supporting services:			
General and administrative	75,776	-	75,776
	<u>75,776</u>	<u>-</u>	<u>75,776</u>
Total supporting services			
Total expenses	<u>941,494</u>	<u>-</u>	<u>941,494</u>
Change in Net Assets	96,744	(1,033)	95,711
Net Assets, beginning of year	<u>420,945</u>	<u>46,663</u>	<u>467,608</u>
Net Assets, end of year	<u>\$ 517,689</u>	<u>\$ 45,630</u>	<u>\$ 563,319</u>

See accompanying notes.

The Division for Early Childhood of the Council for Exceptional Children

Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Conference revenue	\$ 437,292	\$ -	\$ 437,292
Membership dues and support	86,405	-	86,405
Publications and subscriptions	133,062	-	133,062
Government contracts	402,422	-	402,422
Contributions and grants	113	-	113
Interest and return on endowments	4	51	55
Royalties	15,227	-	15,227
Other revenue	33	-	33
Released from restrictions	1,000	(1,000)	-
Total revenue and support	<u>1,075,558</u>	<u>(949)</u>	<u>1,074,609</u>
Expenses			
Program services:			
Conference	285,129	-	285,129
Education and publications	506,978	-	506,978
Member services	145,846	-	145,846
Total program services	<u>937,953</u>	<u>-</u>	<u>937,953</u>
Supporting services:			
General and administrative	105,000	-	105,000
Total supporting services	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total expenses	<u>1,042,953</u>	<u>-</u>	<u>1,042,953</u>
Change in Net Assets	32,605	(949)	31,656
Net Assets, beginning of year	<u>388,340</u>	<u>47,612</u>	<u>435,952</u>
Net Assets, end of year	<u>\$ 420,945</u>	<u>\$ 46,663</u>	<u>\$ 467,608</u>

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			General and Administrative	Total Expenses
	Conference	Education and Publications	Member Services		
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	27,506	20,436	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	\$ 120,829	\$ 75,776	\$ 941,494

See accompanying notes.

The Division for Early Childhood of the Council for Exceptional Children

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services			General and Administrative	Total Expenses
	Conference	Education and Publications	Member Services		
Salaries and fringe benefits	\$ 85,259	\$ 93,749	\$ 44,679	\$ 30,652	\$ 254,339
Cost of publications	4,024	87,871	23,489	1,677	117,061
Contract services	9,040	19,965	15,050	61,093	105,148
Minor equipment/rental	62,704	2,050	-	483	65,237
Dues and publications	9,925	-	-	1,177	11,102
Honoraria	10,500	-	-	-	10,500
Outreach	1,234	-	34,318	-	35,552
Postage and printing	6,011	22,153	20	192	28,376
Space costs/meeting rooms	61,590	-	4,656	1,322	67,568
Supplies	3,897	-	-	167	4,064
Telephone	-	-	-	95	95
Travel and training	11,720	1,793	22,455	2,037	38,005
Partnership activity	-	275,897	-	-	275,897
Insurance	1,350	-	1,179	4,643	7,172
Bank/credit card processing	17,524	2,456	-	304	20,284
Bad debt	351	1,044	-	1,158	2,553
Total Expenses	\$ 285,129	\$ 506,978	\$ 145,846	\$ 105,000	\$ 1,042,953

See accompanying notes.

The Division for Early Childhood of the Council for Exceptional Children

Statements of Cash Flows For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 95,711	\$ 31,656
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss (gain) on endowments	33	(51)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(16,575)	(48,701)
Prepaid expenses	6,132	1,360
Inventory	5,980	(19,917)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,892	(1,939)
Deferred revenue	(138,718)	(43,865)
	(44,545)	(81,457)
Cash Flows from Investing Activity		
Proceeds from sales of assets held for endowments	1,000	1,000
	1,000	1,000
Cash Flows from Financing Activity		
Proceeds from issuance of loan – Paycheck Protection Program	58,558	-
	58,558	-
Net Increase (Decrease) in Cash and Cash Equivalents	15,013	(80,457)
Cash and Cash Equivalents, beginning of year	449,758	530,215
Cash and Cash Equivalents, end of year	\$ 464,771	\$ 449,758

See accompanying notes.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

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) 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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

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 ninety 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, 2020 and 2019, CEC held cash for the Division of \$24,720 and \$23,478, 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, 2020 and 2019. 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, 2020 and 2019. 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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Certificate of Deposit

At June 30, 2020 and 2019, the Division held a certificate of deposit with original maturity dates greater than a period of ninety days that are carried at amortized cost. Interest earned on the certificate of deposit is included in the accompanying statements of activities. This certificate of deposit does not qualify as a security as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. Therefore, this investment is not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures*.

Revenue Recognition

Grants and contributions are recorded as revenue when received or promised. 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 assets to one of the Division's programs or to a future year. 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.

Conference revenue is recognized at the time of the event. Deferred revenue consists of funds collected for dues and subscriptions, and amounts received in advance for the Division's annual conference.

Revenue from all other sources is recognized when earned.

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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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 \$2,327 and \$1,234 for the years ended June 30, 2020 and 2019, respectively.

Adopted Accounting Pronouncements

FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Division has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Division has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 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 January 6, 2021, the date the financial statements were available to be issued.

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.

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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

3. Liquidity and Availability (continued)

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 464,771	\$ 449,758
Accounts receivable	121,765	105,190
Cash equivalents and certificate of deposit held for endowment — available for expenditures	<u>723</u>	<u>1,756</u>
Total available for general expenditures	<u>\$ 587,259</u>	<u>\$ 556,704</u>

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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

5. Revenue from Contracts with Customers (continued)

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.

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

	Deferred Dues and Support	Deferred Conference Revenue	Total
Balance at June 30, 2018	\$ 37,488	\$ 197,752	\$ 235,240
Revenue recognized	(86,405)	(197,752)	(284,157)
Payments received for future obligations	87,765	152,527	240,292
Balance at June 30, 2019	\$ 38,848	\$ 152,527	\$ 191,375
Revenue recognized	(85,405)	(154,852)	(240,257)
Payments received for future obligations	89,620	11,919	101,539
Balance at June 30, 2020	\$ 43,063	\$ 9,594	\$ 52,657

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 Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

6. Loan Payable – Paycheck Protection Program (continued)

The loan was granted to the Division on May 6, 2020 in the amount of \$58,558, and it is management's intention to use the entire loan amount for qualifying expenses in order to apply for full forgiveness. Once the loan is, in part or wholly, forgiven and legal release is received, the Division will reduce the liability by the amount forgiven and record a gain on extinguishment in the statements of activities, which is expected to occur in fiscal year 2021.

If the Division is not approved for full forgiveness by the SBA, the loan would bear interest at a fixed rate of 1.00%, which is payable monthly commencing on November 6, 2020 and maturing on May 6, 2022. The proceeds from this loan may be repaid by the Division at any time prior to maturity with no prepayment penalties, should full forgiveness not be granted. At June 30, 2020, the Division recorded \$58,558 as a loan payable, which is reflected in the accompanying statements of financial position.

Principal payments on the loan obligation are as follows for the years ending June 30:

2021	\$	22,668
2022		<u>35,890</u>
Total principal payments	\$	<u><u>58,558</u></u>

7. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Unappropriated endowment earnings	\$ 723	\$ 1,756
Rose C. Engel endowment fund	20,000	20,000
J. David Sexton endowment fund	<u>24,907</u>	<u>24,907</u>
Total net assets with donor restrictions	<u><u>\$ 45,630</u></u>	<u><u>\$ 46,663</u></u>

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019 was \$20,641 and \$21,690, respectively.

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, 2020 and 2019 was \$24,989 and \$24,973, 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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

8. Endowment (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, 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 UPMIFA.

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 UPMIFA 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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

8. Endowment (continued)

Funds with Deficiencies (continued)

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, 2020 and 2019.

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.

Composition of Endowment Funds

Endowment net asset composition was as follows at June 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2020:</u>			
Rose C. Engel endowment	\$ -	\$ 20,641	\$ 20,641
J. David Sexton endowment	-	24,989	24,989
Total endowment net assets	<u>\$ -</u>	<u>\$ 45,630</u>	<u>\$ 45,630</u>
<u>2019:</u>			
Rose C. Engel endowment	\$ -	\$ 21,690	\$ 21,690
J. David Sexton endowment	-	24,973	24,973
Total endowment net assets	<u>\$ -</u>	<u>\$ 46,663</u>	<u>\$ 46,663</u>

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
June 30, 2020 and 2019

8. Endowment (continued)

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, beginning	\$ -	\$ 46,663	\$ 46,663
Investment return	-	(33)	(33)
Appropriations for expenditures	-	(1,000)	(1,000)
Endowment funds, ending	<u>\$ -</u>	<u>\$ 45,630</u>	<u>\$ 45,630</u>

Changes in endowment net assets were as follows for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, beginning	\$ -	\$ 47,612	\$ 47,612
Investment return	-	51	51
Appropriations for expenditures	-	(1,000)	(1,000)
Endowment funds, ending	<u>\$ -</u>	<u>\$ 46,663</u>	<u>\$ 46,663</u>

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.

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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.

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Notes to Financial Statements
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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, 2020 and 2019, the Division contributed \$5,727 and \$5,346 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:

Conference

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.

Education and Publications

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.

Member Services

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.

The Division for Early Childhood of the Council for Exceptional Children

Notes to Financial Statements
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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, 2020 and 2019, 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.