

**DENVER EARLY CHILDHOOD COUNCIL**

**Financial Statements  
and  
Single Audit Compliance Reports**

**June 30, 2016**

(With Comparative Totals for June 30, 2015)



**Denver Early Childhood Council**  
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CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Denver Early Childhood Council  
Denver, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Denver Early Childhood Council ("the Council"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Denver Early Childhood Council

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Early Childhood Council as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

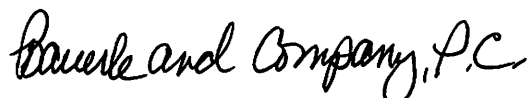
We have previously audited the Denver Early Childhood Council's financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters – Other Financial 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 information 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 November 14, 2016, on our consideration of Denver Early Childhood Council'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 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 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 Denver Early Childhood Council's internal control over financial reporting and compliance.



Bauerle and Company, P.C.  
Denver, Colorado

November 14, 2016

# DENVER EARLY CHILDHOOD COUNCIL

## Statement of Financial Position June 30, 2016 (With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 319,130	\$ 90,114
Government grants receivable	1,189,699	1,243,904
Contributions receivable, current portion	76,000	300,766
Other receivables	3,444	11,732
Prepaid expenses and other	58,115	14,103
	<hr/>	<hr/>
Total Current Assets	1,646,388	1,660,619
	<hr/>	<hr/>
Deposits	2,350	2,350
	<hr/>	<hr/>
Total Assets	<u>\$ 1,648,738</u>	<u>\$ 1,662,969</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<u>Current Liabilities</u>		
Accounts and subcontractors payable	\$ 1,083,315	\$ 1,021,021
Accrued payroll liabilities	59,725	30,733
	<hr/>	<hr/>
Total Current Liabilities	1,143,040	1,051,754
	<hr/>	<hr/>
Recoverable grant funding	150,000	150,000
	<hr/>	<hr/>
Total Liabilities	<u>1,293,040</u>	<u>1,201,754</u>
<u>Net Assets</u>		
Unrestricted	145,916	125,373
Temporarily restricted	209,782	335,842
	<hr/>	<hr/>
Total Net Assets	<u>355,698</u>	<u>461,215</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 1,648,738</u>	<u>\$ 1,662,969</u>

The accompanying notes are an integral part of the financial statements.

# DENVER EARLY CHILDHOOD COUNCIL

## Statement of Activities Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

	Year Ended June 30, 2016			Total <u>2015</u>
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>2016</u>	
<b>Support and Revenue</b>				
Government grants	\$ 4,179,156	\$ -	\$ 4,179,156	\$ 3,389,685
Foundation grants	60,000	248,638	308,638	103,443
Other contributions	12,601	1,000	13,601	14,401
Shared service fees	9,873	-	9,873	60,777
Program service fees	41,979	-	41,979	57,810
Conference fees	51,260	-	51,260	-
Other income	2,931	-	2,931	5,288
In-Kind	7,996	-	7,996	1,946
Net assets released from restrictions	375,698	(375,698)	-	-
Total Support and Revenue	4,741,494	(126,060)	4,615,434	3,633,350
<b>Expenses</b>				
Program Services:				
Quality improvement	3,397,520	-	3,397,520	2,832,754
Systems building	724,146	-	724,146	623,167
Professional development	410,351	-	410,351	331,172
Total Program Services	4,532,017	-	4,532,017	3,787,093
Supporting Services:				
Management and general	169,259	-	169,259	139,466
Fundraising	19,675	-	19,675	5,829
Total Supporting Services	188,934	-	188,934	145,295
Total Expenses	4,720,951	-	4,720,951	3,932,388
Change in Net Assets	20,543	(126,060)	(105,517)	(299,038)
NET ASSETS, Beginning of Year	125,373	335,842	461,215	760,253
NET ASSETS, End of Year	\$ 145,916	\$ 209,782	\$ 355,698	\$ 461,215

The accompanying notes are an integral part of the financial statements.

**DENVER EARLY CHILDHOOD COUNCIL**

**Statement of Functional Expenses  
Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)**

	Program Services			Supporting Services			Total Year Ended June 30, 2016	Total Year Ended June 30, 2015	
	Quality Improvement	Systems Building	Professional Development	Total	Management and General	Fund- Raising	Total		
Salaries and benefits:									
Salaries	\$ 631,193	\$ 252,484	\$ 78,432	\$ 962,109	\$ 71,788	\$ 11,572	\$ 83,360	\$ 1,045,469	\$ 747,707
Employee benefits	87,442	26,725	10,735	124,902	12,178	505	12,683	137,585	102,253
Payroll taxes	52,620	20,030	6,664	79,314	4,250	890	5,140	84,454	59,907
	<u>771,255</u>	<u>299,239</u>	<u>95,831</u>	<u>1,166,325</u>	<u>88,216</u>	<u>12,967</u>	<u>101,183</u>	<u>1,267,508</u>	<u>909,867</u>
Direct program expenses:									
Contract services	1,380,787	278,846	-	1,659,633	-	-	-	1,659,633	616,269
Learning materials	632,974	209	184	633,367	-	-	-	633,367	1,148,127
Provider training/resources	8,055	4,477	183,765	196,297	-	-	-	196,297	151,881
Conference attendance	58,129	420	96,559	155,108	-	-	-	155,108	168,894
Coaching	146,019	-	8,356	154,375	-	-	-	154,375	193,230
Technology	72,564	-	-	72,564	-	-	-	72,564	101,656
Teacher incentives/technology	23,917	1,547	12,718	38,182	-	-	-	38,182	107,502
Curriculum	30,770	-	-	30,770	-	-	-	30,770	-
Assessment and evaluation	29,934	88	-	30,022	-	-	-	30,022	32,094
Quality kudos	23,510	-	-	23,510	-	-	-	23,510	-
College coursework	15,644	-	1,736	17,380	-	-	-	17,380	19,705
Quality improvements	11,752	-	-	11,752	-	-	-	11,752	79,276
Planning and development	-	4,213	1,200	5,413	-	-	-	5,413	1,859
Trainer development	650	1,000	3,050	4,700	-	-	-	4,700	6,098
Health and safety	1,053	-	-	1,053	-	-	-	1,053	-
	<u>2,435,758</u>	<u>290,800</u>	<u>307,568</u>	<u>3,034,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,034,126</u>	<u>2,626,591</u>
Other operating expenses:									
Professional fees	33,688	51,405	-	85,093	29,026	5,800	34,826	119,919	136,363
Facilities and equipment	59,772	19,956	1,267	80,995	8,225	-	8,225	89,220	75,164
Information technology	18,007	8,601	434	27,042	17,302	-	17,302	44,344	57,505
Office expenses	17,222	8,868	779	26,869	6,599	193	6,792	33,661	26,280
Travel	19,376	10,318	804	30,498	1,460	221	1,681	32,179	34,098
Staff development	11,676	4,949	2,699	19,324	8,835	235	9,070	28,394	13,219
Conferences and meetings	8,338	12,240	768	21,346	1,576	223	1,799	23,145	17,575
Community outreach	10,506	6,484	-	16,990	1,144	-	1,144	18,134	17,926
Printing	11,922	3,290	201	15,413	342	36	378	15,791	10,439
In-Kind	-	7,996	-	7,996	-	-	-	7,996	1,946
Insurance	-	-	-	-	5,794	-	5,794	5,794	4,233
Interest	-	-	-	-	740	-	740	740	1,182
	<u>190,507</u>	<u>134,107</u>	<u>6,952</u>	<u>331,566</u>	<u>81,043</u>	<u>6,708</u>	<u>87,751</u>	<u>419,317</u>	<u>395,930</u>
<b>Total Expenses</b>	<b>\$ 3,397,520</b>	<b>\$ 724,146</b>	<b>\$ 410,351</b>	<b>\$ 4,532,017</b>	<b>\$ 169,259</b>	<b>\$ 19,675</b>	<b>\$ 188,934</b>	<b>\$ 4,720,951</b>	<b>\$ 3,932,388</b>

The accompanying notes are an integral part of the financial statements.

# DENVER EARLY CHILDHOOD COUNCIL

## Statement of Cash Flows Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (105,517)	\$ (299,038)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Government grants receivable	54,205	(1,032,417)
Contributions receivable	224,766	263,742
Other receivables	8,288	(9,181)
Prepaid expenses and other	(44,012)	(1,232)
Increase (decrease) in:		
Accounts and subcontractors payable	62,294	828,193
Accrued payroll liabilities	28,992	12,367
Net Cash Provided by (Used in) Operating Activities	<u>229,016</u>	<u>(237,566)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from recoverable grant funding	<u>-</u>	<u>150,000</u>
Net Cash Provided by (Used in) Financing Activities	<u>-</u>	<u>150,000</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	229,016	(87,566)
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	<u>90,114</u>	<u>177,680</u>
<u>CASH AND CASH EQUIVALENTS, end of year</u>	<u>\$ 319,130</u>	<u>\$ 90,114</u>

The accompanying notes are an integral part of the financial statements.



## 1. Organization and Summary of Significant Accounting Policies

### **Organization**

The vision of Denver's Early Childhood Council ("the Council") is that every young child in Denver enters school ready to succeed. The Council serves as Denver's early childhood hub by leveraging resources, opportunities, and connections to create a quality system that impacts the lives of children and their families. Our goal is to see that each and every young child across Denver has access to quality child care, early learning, and health services that helps them enter school ready to succeed. We do this by helping caregivers, teachers, pediatricians, and others provide the highest quality services possible, and we connect different aspects of the early childhood system to make sure policies and practices meet all the growth and developmental needs of young children.

- **Quality Improvement** - Our Quality Improvement Initiatives include the School Readiness Quality Improvement Program (SRQIP), Denver Preschool Program (DPP), Infant Toddler Quality and Availability Program (ITQA), Social Emotional Early Development Initiative (SEED), Colorado Child Care Assistance Program (CCCAP) Quality Improvement, and the Race to the Top Quality Improvement (RTTQI) funding. These programs enhance quality in early childhood education in order to improve the school readiness of Denver children birth to five years old. Child care providers receive targeted coaching, training, qualified classroom learning materials and technology resources to improve their practice and quality of the learning environments. In FY15-16, the Council provided 4800 hours of on-site coaching to support best practice and new skill building for early childhood professionals across Denver. The Council also provided over \$1 million dollars to eligible childcare providers for qualified quality improvement investments in workforce development, learning environments, technology, and teacher incentives. All childcare providers participating in quality improvement initiatives are required to be quality rated through the state Colorado Shines quality rating and improvement system. The majority of programs recognize gains in quality as a result of the additional quality improvement supports and resources provided.
- **Professional Development** - Professional Development and Denver Child Care Resource & Referral programs expand access to high quality training programs that provide professional development on industry best practice and evidence-based curriculum to help early childhood professionals increase their knowledge and apply it in the classroom. Our professional development offerings are often paired with on-site coaching that enhances the application and effectiveness of the delivered content. We also provided 1090 hours of training to over 750 individuals. In order to expand access to high-quality trainings and information sessions, the Council braids funding to offer additional community slots to all Denver early childhood education professionals working with children 0-5, including family home care providers, teachers and directors at early learning centers, and other early childhood stakeholders. We also expanded our program this year to target Spanish-speaking family, friend, and neighbor (FFN) caregivers, by providing two learning communities with content tailored to this audience. Additionally, through our Resource & Referral program, the Council provided answers to over 100 early childhood related questions from providers through our Help Desk.

## 1. Organization and Summary of Significant Accounting Policies (continued)

### *Organization (continued)*

- **Systems Building** – Denver’s Early Childhood Council helps young children in Denver thrive by working to provide responsive and equitable access to quality child care, early learning and health services. We do this by working collaboratively with cross-domain partners, funders, and policy makers to inform policy and funding needed to create and sustain our local system; by establishing high-performance programs and services that produce results for children and families; and by creating strong links across systems that further improve results for children and families.

### *Basis of Accounting*

The financial statements of the Council have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### *Basis of Presentation*

The financial statement presentation follows the recommendations of FASB ASC 958-205. Under FASB ASC 958-205, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of June 30, 2016, the Council had no permanently restricted net assets.

### *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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Concentration of Credit Risk*

The Council maintains a bank account at one financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance, at times, may exceed the FDIC insured limit. The Council believes it is not exposed to any significant credit risk on its cash balances.

During the year ended June 30, 2016, the Council received approximately 91% of its revenues recognized in the current year from government support. However, if adjusted to include net assets released from restriction, government support accounted for 88% of its revenues.

### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### *Receivables*

The Council believes that its receivables, which are recorded at fair value, are fully collectible; accordingly, there is no allowance for doubtful accounts at June 30, 2016. The Council’s policy for charging off receivables is when future payments thereon are determined to be improbable.

**1. Organization and Summary of Significant Accounting Policies (continued)**

***Property and Equipment***

The Council capitalizes the cost of all property and equipment expenditures in excess of \$5,000. Contributed property and equipment is recorded at fair value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the respective asset.

The Council did not hold any individual assets with an acquisition value greater than \$5,000 at June 30, 2016.

***Deferred Revenue***

Deferred revenue consists of funds received in which the revenue will be recognized in applicable future periods when the related expenses are incurred.

***Contributions and Grants***

The Council accounts for contributions and grants as unrestricted, temporarily restricted, or permanently restricted assets depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Council's policy is to record contributions whose restrictions are met in the same reporting period as unrestricted contributions. Contributions whose restrictions are not met in the same reporting period are reported as temporarily restricted assets.

The Council receives support from federal and state grants. Amounts received are deemed to be earned and are reported as revenue when the Council has incurred expenditures or performed services in compliance with the specific agreement.

***Donated Goods Services***

A substantial number of volunteers have contributed significant amounts of time to the Council; however, no amounts have been reflected in the accompanying financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under generally accepted accounting principles.

Learning materials and supplies donated to the Council totaled \$7,996 for the year ended June 30, 2016.

***Tax Exempt Status***

The Council is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation under Section 509(a) of the Code. As such, donors are entitled to a charitable deduction for their contributions to the Council. Accordingly, the accompanying financial statements do not include a provision for income taxes.

**1. Organization and Summary of Significant Accounting Policies (continued)**

***Tax Exempt Status (continued)***

The Council follows *Accounting for Uncertainty in Income Taxes*, which requires the Council to determine whether a tax position (and related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended June 30, 2016, the Council's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

***Fair Value Measurements***

The carrying amounts reported in the statement of financial position for cash and cash equivalents, government grants receivable, contributions and other receivables, prepaid expenses and other, accounts payable, and accrued liabilities approximates fair value because of the immediate or short-term maturities of these financial instruments.

***Functional Allocation of Expenses***

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of functional expenses. Indirect expenses are allocated to the program and supporting services on the basis of function, the areas benefited, and usage of the assets. All other costs can be specifically identified with a particular function and are charged directly to that function.

***Subsequent Events***

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. the Council's financial statements were available to be issued on November 14, 2016 and this is the date through which subsequent events were evaluated.

**Denver Early Childhood Council**  
**Notes to Financial Statements**  
June 30, 2016

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**2. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for the following purposes at June 30, 2016:

Contributions receivable:	
Mile High United Way	\$ 75,000
Early Childhood Colorado Partnership	1,000
The Colorado Health Foundation:	
Social Emotional Early Development Initiative	47,122
The Piton Foundation:	
Assess and meet the needs of informal care providers	<u>86,660</u>
Total	<u>\$ 209,782</u>

A total of \$375,698 was released from temporarily restricted net assets to unrestricted net assets during fiscal 2016.

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**3. Conference Fees**

In January 2016, the Council entered into a Common Interest Agreement and a Joint Venture Agreement with The Colorado Association for the Education of Young Children ("CAEYC") and The Early Childhood Council Leadership Alliance ("ECCLA") to organize and host a recurring conference for early childhood professionals. A qualified third party was contracted to manage all financial and bookkeeping responsibilities for the conference. A minimum of 15% of the proceeds are to be retained to fund the conference in the future, and any net profits are to be distributed to all three parties. For the year ended June 30, 2016, the Council received \$51,260 for conference fees under these agreements.

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**4. Lease Commitments**

The Council leases its administrative office facility under an operating agreement that was renewed and updated in July 2012 for a term of seven years. During the year ended June 30, 2015, the Council amended the office facility operating agreement to include additional office space. Additionally, the Council leases office equipment under a three year operating lease. Approximate future minimum rental payments under these operating lease agreements as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 56,000
2018	49,000
2019	50,000
2020	<u>51,000</u>
Total	<u>\$ 206,000</u>

Total rent expense for the year ended June 30, 2016, was \$55,866.

## **5. Recoverable Grant Funding**

On March 2, 2015, the Council received \$150,000 in recoverable grant funding from The Piton Foundation. The Council used the funding to supplement operational cash flow needs relating to the implementation of the QI Pilot for Colorado Child Care Assistance Program. The agreement is non-interest bearing, unsecured, and was scheduled to terminate on October 30, 2015. On November 10, 2015, the agreement was amended and the termination date was extended to August 31, 2016. Subsequent to June 30, 2016, the Council repaid the recoverable grant in full.

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## **6. Related Party Transactions**

### Early Childhood Council Leadership Alliance:

The Council executed a Memorandum of Understanding (MOU) Shared Services Agreement with the Early Childhood Council Leadership Alliance ("ECCLA"), effective July 1, 2014. The Council's Executive Director served on the Board of ECCLA until July 2015. The purpose of the MOU was to achieve administrative efficiencies and cost savings to support enterprise level solutions for IT support, telephone and internet, hosting, and other operational solutions on an as needed basis and by sharing copying, meeting and conference spaces. As a start-up nonprofit, ECCLA was in need of support services from the Council, which were contracted via specific grant funding. Additionally, the Council and ECCLA have worked closely on the ecConnect Expansion Project, an extensive effort to integrate with the state Colorado Shines database and transition the management and assignment of rights of the Council Sugar/ecConnect data system to ECCLA in order to allow all 31 Early Childhood Councils statewide to use the system for program administration. Key staff from both organizations have been shared in order to meet the demands of this joint effort. The Council received \$7,432 in shared service revenues from ECCLA for the year ended June 30, 2016, of which \$- is outstanding at June 30, 2016. Additionally, the Council incurred expenses totaling \$543,455 for the year ended June 30, 2016, to ECCLA for program expenses relating to the ecConnect Expansion project and the CCAP QI Pilot program. Amounts owed to ECCLA total \$232,943 at June 30, 2016.

### Conflict of Interest Policy:

The Council takes precautions as outlined in its Conflict of Interest Policy to maintain its commitment to integrity and fairness in the conduct of all activities including annual written disclosure by all board members of any relationships that could constitute a conflict of interest. Participants who have a conflict of interest shall abstain from voting on those decisions, and that abstention is formally noted in the board minutes. With disclosure to other participants, the work of the Council is furthered by the willingness of its participants to share information bearing upon the matter under consideration.

## **7. Employee Retirement Plan**

The Council offers a Simple IRA Plan for qualified employees. Participants become eligible to join the Plan on the first day of the month following the date of hire, as defined by the Plan. The Council contributes 2% of participating employees' compensation annually, subject to IRS limitations. Employer contributions to the plan for the year ended June 30, 2016, totaled \$13,650.

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## **8. Contingencies**

The Council receives certain revenues from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. However, management believes the Council is in compliance with its grant requirements, and no liability has arisen in the past or is currently expected.

**DENVER EARLY CHILDHOOD COUNCIL**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Program Title</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
U.S. Department of Health and Human Services			
Pass-through Awards			
Colorado Department of Human Services	School Readiness Quality Improvement Program	93.575	\$ 340,827
Colorado Department of Human Services	Systems Building	93.575	92,374
Colorado Department of Education	Expanding Quality for Infants and Toddlers	93.575	40,577
Qualistar	Colorado Childcare Resource & Referral	93.575	7,190
			<u>480,968</u>
Colorado Department of Human Services	Maternal Infant Early Childhood Home Visiting	93.505	<u>16,459</u>
U.S. Department of Education			
Pass-through Awards			
Colorado Department of Human Services	Race to the Top Early Learning Challenge Grant	84.412	<u>1,017,360</u> *
Total Expenditures of Federal Awards			<u><u>\$ 1,514,787</u></u>

Note (1): The above schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note (2): Denver Early Childhood Council receives grant revenues from sources other than the federal government. The following analysis reconciles expenditures in the accompanying schedule to government grant revenues reflected in the Denver Early Childhood Council's statement of activities for the year ended June 30, 2016:

Federal Revenues	\$ 1,514,787
Non-Federal Revenues	<u>2,664,369</u>
Government Grants	<u><u>\$ 4,179,156</u></u>

\* - Major program





CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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**

To the Board of Directors of  
Denver Early Childhood Council  
Denver, Colorado

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 Denver Early Childhood Council ("the Council") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 November 14, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bauerle and Company, P.C.  
Denver, Colorado

November 14, 2016



CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
Denver Early Childhood Council  
Denver, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited the Denver Early Childhood Council's ("the Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2016. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Bauerle and Company, P.C.  
Denver, Colorado

November 14, 2016

**DENVER EARLY CHILDHOOD COUNCIL**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- \* Material weakness(es) identified?  yes  no
- \* Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

Internal control over major programs:

- \* Material weakness(es) identified?  yes  no
- \* Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200-516(a)?  yes  no

<u>Identification of Major Programs:</u>	<u>CFDA#</u>
Race to the Top Early Learning Challenge Grant	84.412

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee?  yes  no

**Section II - Financial Statement Audit**

None Reported.

**Section III - Findings and Questioned Costs - Major Federal Award Programs Audit**

None Reported.

**Section IV - Prior Year Findings and Questioned Costs - Major Federal Award Programs Audit**

None Reported.