

DENVER EARLY CHILDHOOD COUNCIL

**Financial Statements
and
Single Audit Compliance Reports**

June 30, 2017

(With Comparative Totals for June 30, 2016)



Denver Early Childhood Council
Table of Contents

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12
<u>Other Financial Information</u>	
Schedule of Expenditures of Federal Awards	13
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 <i>Government Auditing Standards</i>	14-15
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	16-17
Schedule of Findings and Questioned Costs.....	18



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, 2017, 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, 2017, 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 November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 2, 2017, 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 2, 2017

DENVER EARLY CHILDHOOD COUNCIL

Statement of Financial Position June 30, 2017 (With Comparative Totals for June 30, 2016)

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 402,279	\$ 319,130
Government grants receivable	1,070,880	1,189,699
Contributions receivable	200,000	76,000
Other receivables	10,290	3,444
Prepaid expenses and other	57,146	58,115
	<hr/>	<hr/>
Total Current Assets	1,740,595	1,646,388
Deposits	2,350	2,350
	<hr/>	<hr/>
Total Assets	<u>\$ 1,742,945</u>	<u>\$ 1,648,738</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>Current Liabilities</u>		
Accounts and subcontractors payable	\$ 844,277	\$ 1,083,315
Accrued payroll liabilities	70,195	59,725
Deferred revenue	56,186	-
	<hr/>	<hr/>
Total Current Liabilities	970,658	1,143,040
Recoverable grant funding	-	150,000
	<hr/>	<hr/>
Total Liabilities	970,658	1,293,040
<u>Net Assets</u>		
Unrestricted	336,773	145,916
Temporarily restricted	435,514	209,782
	<hr/>	<hr/>
Total Net Assets	772,287	355,698
Total Liabilities and Net Assets	<u>\$ 1,742,945</u>	<u>\$ 1,648,738</u>

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

DENVER EARLY CHILDHOOD COUNCIL

Statement of Activities Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

	Year Ended June 30, 2017			Total 2016
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>2017</u>	
<u>Support and Revenue</u>				
Government grants	\$ 3,332,902	\$ -	\$ 3,332,902	\$ 4,179,156
Foundation grants	270,500	600,000	870,500	308,638
Other contributions	16,954	-	16,954	13,601
Shared service fees	2,400	-	2,400	9,873
Program service fees	54,741	-	54,741	41,979
Conference fees	38,674	-	38,674	51,260
Other income	4,527	-	4,527	2,931
In-Kind	-	-	-	7,996
Net assets released from restrictions	374,268	(374,268)	-	-
Total Support and Revenue	<u>4,094,966</u>	<u>225,732</u>	<u>4,320,698</u>	<u>4,615,434</u>
<u>Expenses</u>				
Program Services:				
Quality improvement	2,165,574	-	2,165,574	3,397,520
Systems building	1,059,032	-	1,059,032	724,146
Professional development	338,756	-	338,756	410,351
Total Program Services	<u>3,563,362</u>	<u>-</u>	<u>3,563,362</u>	<u>4,532,017</u>
Supporting Services:				
Management and general	315,766	-	315,766	169,259
Fundraising	24,981	-	24,981	19,675
Total Supporting Services	<u>340,747</u>	<u>-</u>	<u>340,747</u>	<u>188,934</u>
Total Expenses	<u>3,904,109</u>	<u>-</u>	<u>3,904,109</u>	<u>4,720,951</u>
Change in Net Assets	190,857	225,732	416,589	(105,517)
NET ASSETS, Beginning of Year	<u>145,916</u>	<u>209,782</u>	<u>355,698</u>	<u>461,215</u>
NET ASSETS, End of Year	<u>\$ 336,773</u>	<u>\$ 435,514</u>	<u>\$ 772,287</u>	<u>\$ 355,698</u>

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

DENVER EARLY CHILDHOOD COUNCIL

**Statement of Functional Expenses
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

	Program Services			Supporting Services			Total	Total	
	Quality Improvement	Systems Building	Professional Development	Total	Management and General	Fund-Raising	Total	Year Ended June 30, 2017	Year Ended June 30, 2016
Salaries and benefits:									
Salaries	\$ 575,830	\$ 389,617	\$ 87,104	\$ 1,052,551	\$ 105,332	\$ 18,037	\$ 123,369	\$ 1,175,920	\$ 1,045,469
Employee benefits	96,062	48,744	14,169	158,975	27,817	1,770	29,587	188,562	137,585
Payroll taxes	45,866	30,442	6,986	83,294	8,569	1,396	9,965	93,259	84,454
	<u>717,758</u>	<u>468,803</u>	<u>108,259</u>	<u>1,294,820</u>	<u>141,718</u>	<u>21,203</u>	<u>162,921</u>	<u>1,457,741</u>	<u>1,267,508</u>
Direct program expenses:									
Learning materials	519,692	-	1,030	520,722	-	-	-	520,722	633,367
Curriculum	342,184	-	-	342,184	-	-	-	342,184	30,770
Contract services	-	317,535	-	317,535	-	-	-	317,535	1,659,633
Provider training/resources	11,475	10,040	178,388	199,903	-	-	-	199,903	196,297
Conference attendance	188,584	-	5,955	194,539	-	-	-	194,539	155,108
Coaching	129,558	-	1,296	130,854	-	-	-	130,854	154,375
Quality improvements	42,938	-	-	42,938	-	-	-	42,938	11,752
Technology	31,572	-	-	31,572	-	-	-	31,572	72,564
College coursework	27,921	-	-	27,921	-	-	-	27,921	17,380
Translation and interpretation	810	1,750	14,575	17,135	-	-	-	17,135	-
Health and safety	9,032	-	969	10,001	-	-	-	10,001	1,053
Planning and development	1,980	-	5,754	7,734	-	-	-	7,734	5,413
Participant childcare	70	-	6,982	7,052	-	-	-	7,052	-
Teacher incentives/technology	4,371	274	1,030	5,675	-	-	-	5,675	38,182
Special Events	75	-	2,673	2,748	-	-	-	2,748	-
Assessment and evaluation	2,146	-	-	2,146	-	-	-	2,146	30,022
Trainer development	234	904	-	1,138	-	-	-	1,138	4,700
Quality kuddos	935	-	-	935	-	-	-	935	23,510
	<u>1,313,577</u>	<u>330,503</u>	<u>218,652</u>	<u>1,862,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,862,732</u>	<u>3,034,126</u>
Other operating expenses:									
Professional fees	9,818	168,456	-	178,274	39,472	2,610	42,082	220,356	119,919
Facilities and equipment	44,909	23,817	1,643	70,369	15,163	334	15,497	85,866	89,220
Information technology	3,489	4,101	-	7,590	47,859	-	47,859	55,449	44,344
Travel	17,936	19,905	4,962	42,803	1,566	60	1,626	44,429	32,179
Community outreach	27,373	2,125	250	29,748	4,468	-	4,468	34,216	18,134
Staff development	12,720	11,036	2,024	25,780	7,705	-	7,705	33,485	28,394
Printing	4,590	5,282	1,730	11,602	21,126	-	21,126	32,728	15,791
Office expenses	6,211	4,378	645	11,234	20,580	711	21,291	32,525	33,661
Conferences and meetings	7,193	20,626	591	28,410	3,357	63	3,420	31,830	23,145
Insurance	-	-	-	-	8,410	-	8,410	8,410	5,794
Interest	-	-	-	-	4,342	-	4,342	4,342	740
In-Kind	-	-	-	-	-	-	-	-	7,996
	<u>134,239</u>	<u>259,726</u>	<u>11,845</u>	<u>405,810</u>	<u>174,048</u>	<u>3,778</u>	<u>177,826</u>	<u>583,636</u>	<u>419,317</u>
Total Expenses	<u>\$ 2,165,574</u>	<u>\$ 1,059,032</u>	<u>\$ 338,756</u>	<u>\$ 3,563,362</u>	<u>\$ 315,766</u>	<u>\$ 24,981</u>	<u>\$ 340,747</u>	<u>\$ 3,904,109</u>	<u>\$ 4,720,951</u>

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

DENVER EARLY CHILDHOOD COUNCIL

Statement of Cash Flows Year Ended June 30, 2017 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 416,589	\$ (105,517)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Government grants receivable	118,819	54,205
Contributions receivable	(124,000)	224,766
Other receivables	(6,846)	8,288
Prepaid expenses and other	969	(44,012)
Increase (decrease) in:		
Accounts and subcontractors payable	(239,038)	62,294
Accrued payroll liabilities	10,470	28,992
Deferred revenues	56,186	-
Net Cash Provided by (Used in) Operating Activities	233,149	229,016
<u>Cash Flows From Financing Activities</u>		
Payments made to recoverable grant funding	(150,000)	-
Net Cash Provided by (Used in) Financing Activities	(150,000)	-
<u>Net Increase in Cash and Cash Equivalents</u>	83,149	229,016
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	319,130	90,114
<u>CASH AND CASH EQUIVALENTS, end of year</u>	\$ 402,279	\$ 319,130

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 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. 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 Initiatives** - Our Quality Initiatives include the School Readiness Quality Improvement Program (SRQIP), Denver Preschool Program (DPP), Infant Toddler Quality and Availability Program (ITQA), 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 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 support their practice and quality of the learning environments. In FY16-17, the Council provided over 4300 hours of on-site coaching to support best practice and new skill building for early childhood professionals across Denver, including increased focus on business and financial practices. The Council also managed over \$1.3 million dollars of eligible quality investments in childcare programs for workforce development, learning environments, technology, and teacher incentives. All childcare programs participating in quality initiatives are required to be quality rated through the state Colorado Shines Quality Rating and Improvement System. Most programs recognize gains in quality as a result of the quality supports and resources provided.
- **Career Pathways** – Career Pathways 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 provided 1080 hours of training to over 750 individuals. 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 delivering 45 hours of content tailored to this audience, with 30 individuals participating for the full cohort. Additionally, through our Resource & Referral program, the Council provided answers to over 150 early childhood related questions from providers through our Help Desk.

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

Organization (continued)

- **Early Childhood Systems Building** – Within this program, Denver’s Early Childhood Council works strategically with community, nonprofit, governmental, foundation and corporate partners to align policies and create more efficient, accessible and culturally responsive early childhood services. Program activities include hosting monthly policy taskforce groups, convening home visitation partners, supporting implementation of county-wide initiatives and participation in state-wide and national early childhood leadership coalitions. Denver’s Early Childhood Council also serves as lead recipient for LAUNCH Together in Denver, a collaborative funded by eight foundations. In close partnership with many community partners, this four-year grant focuses on building a coordinated system for social-emotional development supports for young children birth-to-5 years old in targeted high-needs neighborhoods. This program area also leads work with partners around the coordination and development of new policies and technologies that can be scaled and leveraged by other early childhood organizations across the state.

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, 2017, 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, 2017, the Council received approximately 77% of its revenues recognized in the current year from government support.

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

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, 2017. The Council's policy for charging off receivables is when future payments thereon are determined to be improbable.

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, 2017.

Deferred Revenue

Deferred revenue consists of funds received or included in receivables at June 30, 2017, 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.

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

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.

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, 2017, 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 2, 2017, and this is the date through which subsequent events were evaluated.

New Accounting Pronouncement

In August 2016, the FASB issue ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

Denver Early Childhood Council
Notes to Financial Statements
June 30, 2017

2. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2017:

Contributions receivable:	
The Piton Foundation	\$ 200,000
Rose Community Foundation:	
LAUNCH Together	<u>235,514</u>
 Total	 <u>\$ 435,514</u>

A total of \$374,268 was released from temporarily restricted net assets to unrestricted net assets during fiscal 2017.

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, now known as the Colorado Association for the Education of Young People ("COAEYC"), 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, 2017, the Council received \$38,674 for conference fees under these agreements.

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 five year operating lease. Approximate future minimum rental payments under these operating lease agreements as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 53,900
2019	53,200
2020	<u>50,900</u>
 Total	 <u>\$ 158,000</u>

Total rent expense for the year ended June 30, 2017, was \$60,855.

5. Related Party Transactions

Mile High Early Learning:

During fiscal year 16-17, Mile High Early Learning (MHEL) applied for and received Early Head Start funding, and subcontracted some of the funding to the Council. Prior to submitting the application for funding, the Board discussed the pros and cons of co-applying with Mile High Early Learning as the lead grant recipient, and the Council as the contractor. Pamela Harris is the CEO of Mile High Early Learning and was also a Council Board member at the time of the discussion. Per the Conflict of Interest policy, had Ms. Harris been in the meeting, she would have had to recuse herself from that discussion. However, Ms. Harris was not present for the meeting, and so did not influence the decision. The Board determined that moving forward with the Early Head Start application was in alignment with the mission and in the best of interest of the Council and those it serves. The funding was awarded in the Spring of 2017, and Mile High Early Learning and the Council entered into a subcontract. The Council has \$61,679 in receivables due from MHEL at June 30, 2017.

Early Childhood Council Leadership Alliance:

As of June 30, 2017, the Council and Early Childhood Council Leadership Alliance (ECCLA) no longer share any key staff or governing board members; however, the organizations are still working on an extension of the ecConnect Expansion Project originally contracted to ECCLA in 2014. The project is an extensive effort to integrate with the state Colorado Shines database and transition the management 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. The MOU contract has been extended in alignment with the Race to the Top Early Learning Challenge grant as funded under the Office of Early Childhood, Colorado Department of Human Services as the ecConnect Expansion project with the final extension ending September 30, 2017. Key staff from both organizations were shared in prior fiscal years as approved by the Board of Directors and Finance and Audit Committee in order to meet the demands of this joint effort. The Council extended the MOU with ECCLA in FY16-17, and incurred expenses totaling \$289,300 for the year ended June 30, 2017, for program expenses relating to the ecConnect Expansion project. Amounts owed at June 30, 2017, to ECCLA total \$62,044.

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.

6. 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. During the year ended June 30, 2017, the Council repaid the recoverable grant in full.

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 ending June 30, 2017, totaled \$23,300.

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, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Program Title	CFDA Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
Pass-through Awards				
Colorado Department of Human Services	School Readiness Quality Improvement Program	93.575	\$ 338,638	\$ -
Colorado Department of Human Services	Systems Building	93.575	92,371	-
Colorado Department of Education	Expanding Quality for Infants and Toddlers	93.575	41,871	-
Colorado Department of Human Services	Colorado Childcare Resource & Referral	93.575	14,000	-
			<u>486,880</u>	<u>-</u>
Colorado Department of Human Services	Maternal Infant Early Childhood Home Visiting	93.505	28,897	-
U.S. Department of Education				
Pass-through Awards				
Colorado Department of Human Services	Race to the Top Early Learning Challenge Grant **	84.412	922,995	289,300
Total Expenditures of Federal Awards			<u>\$ 1,438,772</u>	<u>\$ 289,300</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).

Denver Early Childhood Council has elected to use the 10% de minimis indirect cost rate 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, 2017:

Federal Revenues	\$ 1,438,772
Non-Federal Revenues	<u>1,894,130</u>
Government Grants	<u>\$ 3,332,902</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, 2017, 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 2, 2017.

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 2, 2017



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 (“the Council”) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2017. The Council’s major federal programs are identified in the summary of auditor’s 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, 2017.

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.

Purpose of This Report

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 2, 2017

DENVER EARLY CHILDHOOD COUNCIL

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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 program: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of Major Programs: CFDA#
Child Care and Development Block 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.