

DENVER EARLY CHILDHOOD COUNCIL

**Financial Statements
and
Single Audit Compliance Reports**

June 30, 2015

(With Comparative Totals for June 30, 2014)



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 OMB Circular A-133.....	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 ("DECC"), which comprise the statement of financial position as of June 30, 2015, 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.

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, 2015, 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 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 February 2, 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

February 2, 2016

DENVER EARLY CHILDHOOD COUNCIL

Statement of Financial Position June 30, 2015 (With Comparative Totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 90,114	\$ 177,680
Government grants receivable	1,243,904	211,487
Contributions receivable, current portion	300,766	304,185
Other receivables	11,732	2,551
Prepaid expenses and other	14,103	12,871
	<hr/>	<hr/>
Total Current Assets	1,660,619	708,774
Contributions receivable, net of current portion	-	260,323
Deposits	2,350	2,350
	<hr/>	<hr/>
Total Assets	<u>\$ 1,662,969</u>	<u>\$ 971,447</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts and subcontractors payable	\$ 1,021,021	\$ 192,828
Accrued payroll liabilities	30,733	18,366
	<hr/>	<hr/>
Total Current Liabilities	1,051,754	211,194
Recoverable grant funding	150,000	-
	<hr/>	<hr/>
Total Liabilities	<u>1,201,754</u>	<u>211,194</u>
<u>Net Assets</u>		
Unrestricted	125,373	123,936
Temporarily restricted	335,842	636,317
	<hr/>	<hr/>
Total Net Assets	<u>461,215</u>	<u>760,253</u>
Total Liabilities and Net Assets	<u>\$ 1,662,969</u>	<u>\$ 971,447</u>

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

DENVER EARLY CHILDHOOD COUNCIL

Statement of Activities Year Ended June 30, 2015 (With Comparative Totals for the Year Ended June 30, 2014)

	Year Ended June 30, 2015			Total <u>2014</u>
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>2015</u>	
<u>Support and Revenue</u>				
Government grants	\$ 3,389,685	\$ -	\$ 3,389,685	\$ 1,412,608
Foundation grants	53,443	50,000	103,443	106,681
Other contributions	14,401	-	14,401	6,872
Shared service fees	60,777	-	60,777	8,833
Program service fees	57,810	-	57,810	52,724
Other income	5,288	-	5,288	725
In-Kind	1,946	-	1,946	-
Net assets released from restrictions	350,475	(350,475)	-	-
Total Support and Revenue	3,933,825	(300,475)	3,633,350	1,588,443
<u>Expenses</u>				
Program Services:				
Quality improvement	2,832,754	-	2,832,754	1,059,984
Systems building	623,167	-	623,167	335,391
Professional development	331,172	-	331,172	302,154
Total Program Services	3,787,093	-	3,787,093	1,697,529
Supporting Services:				
Management and general	139,466	-	139,466	93,028
Fundraising	5,829	-	5,829	4,674
Total Supporting Services	145,295	-	145,295	97,702
Total Expenses	3,932,388	-	3,932,388	1,795,231
Change in Net Assets	1,437	(300,475)	(299,038)	(206,788)
NET ASSETS, Beginning of Year	123,936	636,317	760,253	967,041
NET ASSETS, End of Year	\$ 125,373	\$ 335,842	\$ 461,215	\$ 760,253

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

DENVER EARLY CHILDHOOD COUNCIL

**Statement of Functional Expenses
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)**

	Program Services				Supporting Services			Total Year Ended June 30, 2015	Total Year Ended June 30, 2014
	Quality Improvement	Systems Building	Professional Development	Total	Management and General	Fund- Raising	Total		
Salaries and benefits:									
Salaries	\$ 393,760	\$ 238,500	\$ 40,694	\$ 672,954	\$ 70,571	\$ 4,182	\$ 74,753	\$ 747,707	\$ 572,528
Employee benefits	57,824	30,689	6,345	94,858	7,242	153	7,395	102,253	83,291
Payroll taxes	32,249	18,780	3,335	54,364	5,217	326	5,543	59,907	47,533
	<u>483,833</u>	<u>287,969</u>	<u>50,374</u>	<u>822,176</u>	<u>83,030</u>	<u>4,661</u>	<u>87,691</u>	<u>909,867</u>	<u>703,352</u>
Direct program expenses:									
Learning materials	1,148,117	10	-	1,148,127	-	-	-	1,148,127	293,949
Contract services	518,214	98,055	-	616,269	-	-	-	616,269	-
Coaching	190,989	-	2,241	193,230	-	-	-	193,230	185,946
Conference attendance	16,058	475	152,361	168,894	-	-	-	168,894	147,477
Provider training/resources	48,639	995	102,247	151,881	-	-	-	151,881	90,321
Teacher incentives/technology	105,273	835	1,394	107,502	-	-	-	107,502	49,491
Technology	101,656	-	-	101,656	-	-	-	101,656	-
Quality improvements	79,276	-	-	79,276	-	-	-	79,276	-
Assessment and evaluation	32,094	-	-	32,094	-	-	-	32,094	47,063
College coursework	2,865	-	16,840	19,705	-	-	-	19,705	23,688
Trainer development	-	6,098	-	6,098	-	-	-	6,098	10,350
Planning and development	174	-	1,685	1,859	-	-	-	1,859	6,846
	<u>2,243,355</u>	<u>106,468</u>	<u>276,768</u>	<u>2,626,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,626,591</u>	<u>855,131</u>
Other operating expenses:									
Professional fees	7,438	91,169	78	98,685	37,678	-	37,678	136,363	100,220
Facilities and equipment	31,596	40,168	272	72,036	2,923	205	3,128	75,164	47,861
Information technology	27,560	25,794	160	53,514	3,852	139	3,991	57,505	24,521
Travel	15,335	16,564	1,975	33,874	109	115	224	34,098	15,893
Office expenses	6,672	16,067	639	23,378	2,224	678	2,902	26,280	15,992
Community outreach	-	17,926	-	17,926	-	-	-	17,926	3,040
Conferences and meetings	5,159	11,380	6	16,545	1,027	3	1,030	17,575	8,756
Staff development	8,003	3,698	523	12,224	995	-	995	13,219	10,649
Printing	3,803	5,964	377	10,144	267	28	295	10,439	6,220
Insurance	-	-	-	-	4,233	-	4,233	4,233	3,395
In-Kind	-	-	-	-	1,946	-	1,946	1,946	-
Interest	-	-	-	-	1,182	-	1,182	1,182	201
	<u>105,566</u>	<u>228,730</u>	<u>4,030</u>	<u>338,326</u>	<u>56,436</u>	<u>1,168</u>	<u>57,604</u>	<u>395,930</u>	<u>236,748</u>
Total Expenses	<u>\$ 2,832,754</u>	<u>\$ 623,167</u>	<u>\$ 331,172</u>	<u>\$ 3,787,093</u>	<u>\$ 139,466</u>	<u>\$ 5,829</u>	<u>\$ 145,295</u>	<u>\$ 3,932,388</u>	<u>\$ 1,795,231</u>

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

DENVER EARLY CHILDHOOD COUNCIL

Statement of Cash Flows Year Ended June 30, 2015 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (299,038)	\$ (206,788)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Government grants receivable	(1,032,417)	(127,844)
Contributions receivable	263,742	97,384
Other receivables	(9,181)	348
Prepaid expenses and other	(1,232)	7,141
Increase (decrease) in:		
Accounts and subcontractors payable	828,193	118,251
Accrued payroll liabilities	12,367	5,842
Net Cash Provided by (Used in) Operating Activities	<u>(237,566)</u>	<u>(105,666)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from recoverable grant funding	<u>150,000</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>150,000</u>	<u>-</u>
<u>Net (Decrease) in Cash and Cash Equivalents</u>	(87,566)	(105,666)
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	<u>177,680</u>	<u>283,346</u>
<u>CASH AND CASH EQUIVALENTS, end of year</u>	<u>\$ 90,114</u>	<u>\$ 177,680</u>

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

1. Organization and Summary of Significant Accounting Policies

Organization

The vision of the Denver Early Childhood Council (DECC) is that every young child in Denver enters school ready to succeed. We serve 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 help 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), and a new program, the Colorado Child Care Assistance Program (CCAP) QI Pilot, in which the Council administered a Pilot program of \$1.7 million to 9 targeted areas across the state by partnering with other local Councils to administer QI dollars to childcare sites that serve high populations of CCCAP children in an effort to increase quality for our highest need children. These programs enhance quality in early childhood education in order to improve the school readiness of Denver children birth to five years old. Childcare providers receive targeted coaching, training, qualified classroom learning materials and technology resources to improve their practice and quality of the learning environments. In FY14-15, we provided 2976 hours of coaching to Denver providers, and facilitated an additional 2293 hours of coaching in 8 other areas of the state via the CCAP QI Pilot. We provided \$300,000 in financial assistance for workforce development and teacher incentives, and over \$1.329 million in qualified learning materials and technology support for childcare providers. All childcare providers participating in our quality improvement initiatives are required to be quality rated by an independent third-party. The majority of programs recognized consistent and statistically significant gains in quality year-over-year 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 1,040 hours of training to over 700 individuals. In order to expand access to high-quality trainings and information sessions, DECC 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. Additionally, through our Resource & Referral program, DECC 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 equitable access to quality child care, early learning and health services. We do this by working collaboratively with local partners, funders, and policy makers to ensure high quality service availability, avoid duplication of efforts, and identify and fill gaps in services across the domains of Health, Social, Emotional, Family Support, and Early Learning.

Basis of Accounting

The financial statements of DECC 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, DECC 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, 2015, DECC 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

DECC 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. DECC believes it is not exposed to any significant credit risk on its cash balances.

During the year ended June 30, 2015, DECC received approximately 95% 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 85% of its revenues.

Cash and Cash Equivalents

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

Receivables

DECC believes that its receivables, which are recorded at fair value, are fully collectible; accordingly, there is no allowance for doubtful accounts at June 30, 2015. DECC’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

DECC 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.

DECC did not hold any individual assets with an acquisition value greater than \$5,000 at June 30, 2015.

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

DECC 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.

DECC'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.

DECC receives support from federal and state grants. Amounts received are deemed to be earned and are reported as revenue when DECC 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 DECC; 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 DECC totaled \$1,946 for the year ended June 30, 2015.

Tax Exempt Status

DECC 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 DECC. 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)

DECC follows *Accounting for Uncertainty in Income Taxes*, which requires DECC 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, 2015, DECC'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.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the current year presentations. Such reclassifications had no effect on changes in net assets.

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. DECC's financial statements were available to be issued on February 2, 2016 and this is the date through which subsequent events were evaluated.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2015:

Contributions receivable:	
The Colorado Health Foundation	\$ 263,266
Mile High United Way	37,500
The Colorado Health Foundation:	
Social Emotional Early Development Initiative	22,576
Mile High United Way:	
Community Partner Impact investment for 2015-2016	<u>12,500</u>
Total	<u>\$ 335,842</u>

A total of \$350,475 was released from temporarily restricted net assets to unrestricted net assets during fiscal 2015.

3. Lease Commitments

DECC 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, DECC amended the office facility operating agreement to include additional office space. Additionally, DECC leases office equipment under a five year operating lease. Approximate future minimum rental payments under these operating lease agreements as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 62,000
2017	62,000
2018	55,000
2019	55,000
2020	<u>8,000</u>
Total	<u>\$ 242,000</u>

Total rent expense for the year ended June 30, 2015, was \$40,535.

4. Recoverable Grant Funding

On March 2, 2015, DECC received \$150,000 in recoverable grant funding from The Piton Foundation. DECC 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.

5. Related Party Transactions

Clayton Early Learning:

During the year ended June 30, 2015, DECC incurred expenses totaling \$216,867 to Clayton Early Learning (Clayton) for program expenses relating to quality improvement services including specialized coaching and training for DECC's Denver Preschool Program and School Readiness initiatives. Clayton was selected to provide these services through a funder-driven, competitive RFP process. Clayton is a Colorado 501(c)(3) nonprofit organization. Amounts owed to Clayton total \$45,700 at June 30, 2015. Additionally, DECC received \$3,307 in shared service revenues from Clayton for the year ended June 30, 2015. A Board member of DECC is employed by Clayton. Additionally, one DECC Board member also serves on the Board of Clayton or entities related to Clayton.

Early Childhood Council Leadership Alliance:

DECC executed a Memorandum of Understanding (MOU) Shared Services Agreement with the Early Childhood Council Leadership Alliance (ECCLA), effective July 1, 2014. DECC's Executive Director serves on the Board of ECCLA. 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 DECC, which were contracted via specific grant funding. Additionally, DECC 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 DECC 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 Director of Finance and Operations at DECC also accepted a temporary position as the Process Improvement Consultant for ECCLA from the spring of 2014 through January 2015 in order to lead the planning and implementation of the expansion to other Councils, and to assist with hiring and training the ECCLA staff. DECC received \$48,339 in shared service revenues from ECCLA for the year ended June 30, 2015, of which \$7,083 is outstanding at June 30, 2015. Additionally, DECC incurred expenses totaling \$107,555 for the year ended June 30, 2015, to ECCLA for program expenses relating to the ecConnect Expansion project. Amounts owed to ECCLA total \$41,522 at June 30, 2015.

Conflict of Interest Policy:

DECC 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 DECC is furthered by the willingness of its participants to share information bearing upon the matter under consideration.

6. Employee Retirement Plan

DECC 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. DECC contributes 2% of participating employees' compensation annually, subject to IRS limitations. Employer contributions to the plan for the year ending June 30, 2015, totaled \$13,650.

7. Contingencies

DECC 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 DECC 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, 2015**

Federal Grantor/Pass-through Grantor/Program Title	Program Title	CFDA Number	Federal Expenditures
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	39,161 *
Qualistar	Colorado Childcare Resource & Referral	93.575	<u>13,982 *</u>
			<u>486,344</u>
Colorado Department of Human Services	Maternal Infant Early Childhood Home Visiting	93.505	<u>28,888</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>200,293</u>
Total Expenditures of Federal Awards			<u><u>\$ 715,525</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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

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, 2015:

Federal Revenues	\$ 715,525
Non-Federal Revenues	<u>2,674,160</u>
Government Grants	<u><u>\$ 3,389,685</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 (DECC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 February 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DECC'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 DECC's internal control. Accordingly, we do not express an opinion on the effectiveness of the DECC'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 DECC'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

February 2, 2016



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 (DECC) 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 DECC's major federal programs for the year ended June 30, 2015. DECC'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 DECC'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 DECC'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 DECC's compliance.

Opinion on Each Major Federal Program

In our opinion, DECC 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, 2015.

Report on Internal Control Over Compliance

Management of DECC 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 DECC'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 DECC'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Bauerle and Company, P.C.
Denver, Colorado

February 2, 2016

DENVER EARLY CHILDHOOD COUNCIL

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? _____ yes X no
- * Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X 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 X no

Identification of Major Programs: CFDA#
Child Care and Development Block Grant 93.575

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes X 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.