

*Nebraska Association for the Education of Young Children, Inc.  
Lincoln, Nebraska*

*September 30, 2023 and 2022*

*Financial Statements  
and  
Independent Auditor's Report*



CPAs & Consultants | Wealth Management

Nebraska Association for the Education of Young Children, Inc.

For the years ended September 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
Nebraska Association for the Education of Young Children, Inc.  
Lincoln, Nebraska

***Opinion***

We have audited the accompanying financial statements of Nebraska Association for the Education of Young Children, Inc., which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nebraska Association for the Education of Young Children, Inc. as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nebraska Association for the Education of Young Children, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Change in Accounting Principle***

As discussed in Note I to the financial statements, in 2023, the entity adopted new accounting guidance ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska Association for the Education of Young Children, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nebraska Association for the Education of Young Children, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska Association for the Education of Young Children, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*HBE LLP*

Lincoln, Nebraska  
January 26, 2024

Nebraska Association for the Education of Young Children, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30,

ASSETS

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (note A)	\$ 79,484	\$ 41,673
Accounts receivable (note A)	32,498	31,624
Grants receivable (notes A and B)	241,325	226,796
Prepaid expenses	8,544	6,102
Refundable deposits	<u>693</u>	<u>693</u>
Total current assets	362,544	306,888
<b>NONCURRENT ASSETS</b>		
Operating lease right-of-use assets (notes A and C)	49,731	-
Financing lease right-of-use assets (notes A and C)	<u>12,105</u>	<u>-</u>
Total noncurrent assets	<u>61,836</u>	<u>-</u>
Total assets	<u>\$ 424,380</u>	<u>\$ 306,888</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 51,908	\$ 41,818
Accrued vacation (note A)	35,096	25,578
Accrued expenses	22,338	27,101
Deferred grant revenue (note A)	18,000	18,332
Operating lease obligations, current (notes A and C)	15,958	-
Financing lease obligations, current (notes A and C)	<u>2,350</u>	<u>-</u>
Total current liabilities	<u>145,650</u>	<u>112,829</u>
<b>LONG-TERM OBLIGATIONS</b>		
Operating lease obligations, net of current maturities (notes A and C)	33,775	-
Financing lease obligations, net of current maturities (notes A and C)	<u>9,845</u>	<u>-</u>
Total long-term obligations	<u>43,620</u>	<u>-</u>
Total liabilities	<u>189,270</u>	<u>112,829</u>
<b>NET ASSETS (note A)</b>		
Without donor restrictions	<u>235,110</u>	<u>194,059</u>
Total liabilities and net assets	<u>\$ 424,380</u>	<u>\$ 306,888</u>

See accompanying notes to financial statements.

Nebraska Association for the Education of Young Children, Inc.

STATEMENTS OF ACTIVITIES

Years ended September 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Grants	\$ 1,052,398	\$ -	\$ 1,052,398	\$ 973,189	\$ -	\$ 973,189
Dues	5,005	-	5,005	4,776	-	4,776
Contributions	1,848	-	1,848	1,560	-	1,560
Interest	508	-	508	113	-	113
Chapter activity	3,634	-	3,634	3,385	-	3,385
Contract labor	1,470	-	1,470	713	-	713
Miscellaneous income	184	-	184	30	-	30
Net assets released from restrictions	-	-	-	63,372	(63,372)	-
Total revenue and support	<u>1,065,047</u>	<u>-</u>	<u>1,065,047</u>	<u>1,047,138</u>	<u>(63,372)</u>	<u>983,766</u>
Expenses						
Program services						
T.E.A.C.H.	368,915	-	368,915	303,774	-	303,774
QEP	540,922	-	540,922	594,287	-	594,287
Other agency mission	9,939	-	9,939	23,429	-	23,429
General and administrative	77,063	-	77,063	90,502	-	90,502
Fundraising	27,157	-	27,157	30,400	-	30,400
Total expenses	<u>1,023,996</u>	<u>-</u>	<u>1,023,996</u>	<u>1,042,392</u>	<u>-</u>	<u>1,042,392</u>
INCREASE (DECREASE) IN NET ASSETS	41,051	-	41,051	4,746	(63,372)	(58,626)
Net assets at beginning of year	<u>194,059</u>	<u>-</u>	<u>194,059</u>	<u>189,313</u>	<u>63,372</u>	<u>252,685</u>
Net assets at end of year	<u>\$ 235,110</u>	<u>\$ -</u>	<u>\$ 235,110</u>	<u>\$ 194,059</u>	<u>\$ -</u>	<u>\$ 194,059</u>

See accompanying notes to financial statements.

Nebraska Association for the Education of Young Children, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2023

	Program Services				General and Administrative	Fundraising	Total
	T.E.A.C.H.	QEP	Other Agency Mission	Total			
EXPENSES							
Salaries and wages	\$ 114,408	\$ 205,961	\$ -	\$ 320,369	\$ 23,771	\$ 7,924	\$ 352,064
Retirement plan contributions	3,377	2,856	-	6,233	519	173	6,925
Employee benefits	776	1,320	-	2,096	-	-	2,096
Payroll taxes	8,449	7,487	-	15,936	7,502	2,501	25,939
Accounting	-	-	-	-	9,586	4,389	13,975
Fees for services	-	-	-	-	169	-	169
Advertising and promotion	-	-	-	-	2,061	-	2,061
Office expense	-	-	2,398	2,398	10,167	1,306	13,871
Information technology	-	-	-	-	6,900	1,578	8,478
Rent	-	-	2,312	2,312	8,883	6,314	17,509
Travel	10,212	3,329	-	13,541	-	-	13,541
Meetings and conferences	1,259	-	384	1,643	-	-	1,643
Insurance	300	393	-	693	2,606	1,133	4,432
Dues and subscriptions	-	-	-	-	911	532	1,443
Licenses and fees	-	5,069	-	5,069	3,389	136	8,594
Miscellaneous	-	-	-	-	599	1,171	1,770
Chapter expenses	-	-	1,777	1,777	-	-	1,777
Chapter support	-	-	394	394	-	-	394
Direct program costs	-	314,507	2,674	317,181	-	-	317,181
T.E.A.C.H. scholarship costs	230,134	-	-	230,134	-	-	230,134
Total expenses	\$ 368,915	\$ 540,922	\$ 9,939	\$ 919,776	\$ 77,063	\$ 27,157	\$ 1,023,996

See accompanying notes to financial statements.

Nebraska Association for the Education of Young Children, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2022

	Program Services				General and Administrative	Fundraising	Total
	T.E.A.C.H.	QEP	Other Agency Mission	Total			
EXPENSES							
Salaries and wages	\$ 94,059	\$ 189,093	\$ -	\$ 283,152	\$ 37,023	\$ 12,341	\$ 332,516
Retirement plan contributions	2,476	2,078	-	4,554	1,804	602	6,960
Employee benefits	1,247	1,736	-	2,983	436	146	3,565
Payroll taxes	7,566	7,676	-	15,242	7,310	2,436	24,988
Accounting	-	-	-	-	10,884	1,244	12,128
Fees for services	-	-	-	-	673	-	673
Advertising and promotion	-	-	-	-	1,474	-	1,474
Office expense	-	-	1,842	1,842	10,583	2,290	14,715
Information technology	-	-	-	-	5,205	1,575	6,780
Rent	-	-	2,709	2,709	8,556	6,244	17,509
Travel	6,209	4,244	-	10,453	-	-	10,453
Meetings and conferences	1,885	-	533	2,418	-	-	2,418
Depreciation	-	-	-	-	95	-	95
Insurance	512	601	-	1,113	2,404	889	4,406
Dues and subscriptions	-	-	-	-	604	221	825
Licenses and fees	-	776	-	776	2,565	536	3,877
Miscellaneous	-	-	-	-	886	1,876	2,762
Chapter expenses	-	-	7,977	7,977	-	-	7,977
Direct program costs	-	388,083	10,368	398,451	-	-	398,451
T.E.A.C.H. scholarship costs	189,820	-	-	189,820	-	-	189,820
Total expenses	\$ 303,774	\$ 594,287	\$ 23,429	\$ 921,490	\$ 90,502	\$ 30,400	\$ 1,042,392

See accompanying notes to financial statements.



Nebraska Association for the Education of Young Children, Inc.

STATEMENTS OF CASH FLOWS

Years ended September 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from donors and support	\$ 1,048,804	\$ 1,030,942
Cash paid to employees and suppliers	(1,009,199)	(997,533)
Interest income	508	113
Net cash provided by operating activities	40,113	33,522
Cash flows from financing activities		
Payments on financing lease obligations	(2,302)	-
Net increase in cash and cash equivalents	37,811	33,522
Cash and cash equivalents, beginning of year	41,673	8,151
Cash and cash equivalents, end of year	<u>\$ 79,484</u>	<u>\$ 41,673</u>
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase (decrease) in net assets	<u>\$ 41,051</u>	<u>\$ (58,626)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	-	95
Reduction in the carrying amount of right-of-use assets	19,029	-
(Increase) decrease in assets		
Accounts receivable	(874)	(17,419)
Grants receivable	(14,529)	64,376
Prepaid expenses	(2,442)	1,316
Increase (decrease) in liabilities		
Accounts payable	10,090	27,410
Accrued vacation	9,518	(3,228)
Accrued expenses	(4,763)	19,266
Deferred grant revenue	(332)	332
Operating lease obligations	(16,635)	-
Total adjustments to increase (decrease) in net assets	(938)	92,148
Net cash provided by operating activities	<u>\$ 40,113</u>	<u>\$ 33,522</u>
Supplemental disclosure of cash flow information:		
Right-of-use assets obtained in exchange for operating lease obligations upon ASC 842 implementation	<u>\$ 17,442</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for operating lease obligations upon lease term modification	<u>\$ 48,926</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for financing lease obligations upon ASC 842 implementation	<u>\$ 1,349</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for financing lease obligations post ASC 842 implementation	<u>\$ 13,148</u>	<u>\$ -</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Nebraska Association for the Education of Young Children, Inc. (Nebraska AEYC) is an affiliate of the National Association for the Education of Young Children (NAEYC). Nebraska AEYC began in 1976 and became incorporated in 1992. The Organization is located in Lincoln, Nebraska. Nebraska AEYC is organized as a 501(c)(3) nonprofit corporation and is led by a Board of Directors. Nebraska AEYC receives its funding from dues, donations, grants, contracts, and consulting services. Membership in the Organization is open to anyone interested in supporting and promoting the mission of the Organization.

The mission of Nebraska AEYC is to provide opportunities that promote excellence in early childhood education for Nebraska's early childhood educators, children and families through education, advocacy, and leadership.

Nebraska AEYC accomplishes this mission through the following major programs:

**T.E.A.C.H. Early Childhood@ NEBRASKA:** This program provides scholarships and support to help early childhood educators complete coursework at a local college and work toward a degree in the early childhood field. Scholarships are awarded to candidates pursuing either an Associate or Bachelors' degree. Funding for T.E.A.C.H. projects during this fiscal year was from the Nebraska Department of Education (NDE), and Nebraska Early Childhood Collaborative.

**Quality Enhancement Projects (QEP):** These programs provide resources, funds and support to early childhood programs to increase the quality of care for the children. Improved quality is achieved through a combination of pre/post assessments, development of program improvement plan, funds for materials and supplies, and support ongoing coaching. Programs included in QEP this year include the Leadership Academy, Infant/Toddler Quality Initiative, and Rooted in Relationships Pyramid Implementation Project. Funding for QEP projects during this fiscal year was from NDE, Community Action Partnership of Lancaster and Saunders Counties, United Way of Lincoln and Lancaster County, and Nebraska Children & Families Foundation.

**Circle of Security- Parenting (COS-P/COSP-C):** Circle of Security Parenting™ (COSP) is an 8-week parenting program based on years of research about how to build strong attachment relationships between parent and child. It is designed to help parents learn how to respond to their child's needs in a way that enhances the attachment between parent and child. It helps parents give their children a feeling of security and confidence so they can explore, learn, grow, and build positive relationships; all essential skills for life-long success. Funding for these projects was from Nebraska Children and Families Foundation, the Nebraska Department of Health and Human Services, and the Community Health Endowment of Lincoln.

**Other Agency Mission:** Nebraska AEYC strengthens and supports the early childhood profession by providing a variety of additional mission driven projects and services. These projects and services primarily focus on support for the general early childhood community. This agency provides support to our member base through our local affiliate network by providing networking opportunities and provides small grants to help facilitate local community- based activities around the national Week of the Young Child. Our staff provides a variety of professional development opportunities, consulting and quality assessments, on a fee-for-service basis. Nebraska AEYC also provides support for programs seeking national accreditation. The primary sources of funding for these activities are from membership dues, small grants, and revenue generated from consulting services.

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Method of Accounting.** The accompanying financial statements of Nebraska AEYC have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents.** For purposes of the statements of cash flows, Nebraska AEYC considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Accounts Receivable.** Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**Grants Receivable.** Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of grantors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**Property and Equipment and Depreciation.** Property and equipment are carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. Equipment is depreciated over estimated useful lives from 3 to 7 years. It is Nebraska AEYC's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed.

**Leases.** At inception, Nebraska AEYC determines if a contract is or includes a lease arrangement. Nebraska AEYC's lease commitments include office space and equipment. The following describes Nebraska AEYC's accounting policies related to its leasing arrangements:

As lessee

Leased assets represent the right to control the use of an identified asset for the lease term and lease obligations represent the obligation to make lease payments arising from the lease. Nebraska AEYC recognizes a right-of-use asset and related obligation at the commencement date, generally based on the present value of lease payments over the lease term using Nebraska AEYC's risk free rate. Leases with an initial term of 12 months or less, including month to month leases, are not recorded on the statement of financial position and are expensed on a straight-line basis.

*Finance Leases*

Right-of-use assets acquired under finance leases are amortized over the lease term. Amortization of the right-of-use asset and interest on the lease liability are presented consistently with similar costs in the statements of activities.

*Operating Leases*

Operating lease assets and liabilities are recognized separately on Nebraska AEYC's statement of financial position. Nebraska AEYC recognizes a single lease expense on a straight-line basis over the lease term. Nonlease components are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED**

**Net Asset Classification.** Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without donor restrictions.** Net assets available for use in general operations and not subject to donor or grantor restrictions.

**With donor restrictions.** Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

**Revenue Recognition.** The following is a description of Nebraska AEYC's principal source of revenue:

**Grant Revenue.**

Nebraska AEYC is the recipient of federal, state and local grants to fund its primary programs. Grants consist primarily of conditional grants, that is, those with measurable performance or other barrier, and a right of return. Grants are not recognized until the conditions on which they depend have been substantially met. The federal and state grants are conditioned upon the incurrence of allowable qualifying expenses. Grants are recorded as revenue when the related approved expenditures are made. Unearned grant revenue represents advances of grant funds received prior to the incurrence of related costs by Nebraska AEYC. At September 30, 2023 and 2022, conditional reimbursement-basis grants of \$854,514 and \$738,494 were awarded to Nebraska AEYC, for which Nebraska AEYC has not yet incurred related expenditures.

**Advertising.** Advertising costs of Nebraska AYEC are expensed as incurred. Advertising expense was \$2,061 and \$1,474 for the years ended September 30, 2023 and 2022, respectively.

**Income Taxes.** Nebraska AEYC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates.

**Paid Time Off.** During the first year of employment, a full-time employee earns 192 hours of Paid Time Off (PTO), and a part-time employee earns hours as a pro-rata percentage of the full-time allowance based on hours actually worked. The second and third years, fourth through sixth years, seventh through ninth years, and tenth through twelfth years of employment, a salaried employee earns 240, 288, 336, and 384 hours of PTO per year, respectively. Hourly employees receive their pro-rata share of these hours. Employees may carryover PTO from 144 hours to 288 hours depending on the years of service to Nebraska AEYC. In the event of voluntary or involuntary termination, all accrued PTO will be paid to the employee.

## NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED**

**Functionalized Expenses.** The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, which is allocated on a square footage basis, as well as salaries and wages, retirement plan contributions, employee benefits, payroll taxes, accounting, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - GRANTS RECEIVABLE**

Grants receivable consists of the following:

	<u>2023</u>	<u>2022</u>
T.E.A.C.H. - NDE	\$ 66,272	\$ 75,209
University of Nebraska - Lincoln	16,199	-
Leadership Academy - HHS	2,681	3,910
Infant Toddler - CAP	18,655	22,130
QRIS TEACH - NDE	39,839	16,421
DHHS - Circle of Security	76,456	57,337
NCFE Pyramid	18,550	8,902
NDE Wages	<u>2,673</u>	<u>42,887</u>
	<u>\$ 241,325</u>	<u>\$ 226,796</u>

**NOTE C - LEASES**Operating Lease

In October 2018, Nebraska AEYC entered into a five-year agreement for office space. The lease requires minimum monthly payments of \$1,459. In May 2023, the agreement was extended for an additional 3 years. The lease requires minimum monthly payments of \$1,460 through September 30, 2026.

In January 2021, Nebraska AEYC entered into a 36-month operating lease agreement for a postage meter which expires on October 31, 2023. The lease requires minimum monthly payments of \$20.

Operating lease expenses for the year ended September 30, 2023 was \$16,638.

NOTES TO FINANCIAL STATEMENTS

**NOTE C - LEASES - CONTINUED**

Operating Lease - Continued

Average operating lease terms and discount rate at September 30, 2023 were as follows:

Weighted average remaining lease term (years):	3.00
Weighted average discount rate:	3.85%

The following summarizes cash paid for operating lease obligations and other non-cash information for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of operating lease obligations	\$ 17,749
Right of use assets obtained in exchange of operating lease obligations	\$ 48,926

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of September 30, 2023, and a reconciliation to operating lease obligations reported on the statement of financial position:

<u>Year ending September 30,</u>	
2024	\$ 13,158
2025	17,517
2026	17,517
2027	<u>4,379</u>
Total minimum lease payments	52,571
Less: Amounts representing interest	<u>(2,838)</u>
Operating lease obligations	<u>\$ 49,733</u>

For the year ended September 30, 2022, the financial statements include rent expense of \$17,509 under FASB ASC 840 (pre-adoption of the new standard) for operating leases. The future minimum lease payments were as follows:

<u>Year ending September 30,</u>	
2023	\$ 20,089
2024	<u>645</u>
	<u>\$ 20,734</u>

NOTES TO FINANCIAL STATEMENTS

**NOTE C - LEASES - CONTINUED**

Finance Lease

In November 2018, Nebraska AEYC entered into a 60 month lease for a copier. The lease required monthly payments of \$195. The lease was terminated in April 2023.

In May 2023, Nebraska AEYC entered into a 63-month lease agreement for a copier which expires on July 31, 2028. The lease requires minimum monthly payments of \$229.

For the year ended September 30, 2023, Nebraska AEYC recognized the following in relation to its finance leases:

Amortization of right-of-use assets	\$ 2,393
Interest on lease obligations	<u>204</u>
	<u>\$ 2,596</u>

Average finance lease terms and discount rate at September 30, 2023 were as follows:

Weighted average remaining lease term (years):	4.84
Weighted average discount rate:	3.64%

The following summarizes cash paid for finance lease obligations and other non-cash information:

Cash paid for amounts included in the measurement of finance lease obligations	
Operating cash flows	\$ 204
Financing cash flows	\$ 2,302
Right-of-use assets obtained in exchange for finance lease obligations	\$ 13,148

NOTES TO FINANCIAL STATEMENTS

**NOTE C - LEASES - CONTINUED**

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for finance leases as of September 30, 2023, and a reconciliation to finance lease obligations reported on the statement of financial position:

<u>Year ending September 30,</u>	
2024	\$ 2,747
2025	2,747
2026	2,747
2027	2,747
2028	<u>2,289</u>
Total minimum lease payments	13,277
Less: Amounts representing interest	<u>(1,082)</u>
Finance lease obligations	<u>\$ 12,195</u>

**NOTE D - LINE OF CREDIT**

Nebraska AEYC has a \$25,000 revolving line of credit, none of which was drawn down as of September 30, 2023. The interest rate is the prime rate plus 2.25%, which was 10.75% at September 30, 2023. The line of credit expires on December 23, 2024 and is secured by substantially all the assets of Nebraska AEYC.

**NOTE E - CONCENTRATION**

Nebraska AEYC has a risk of economic dependency due to a significant portion of program revenue being provided by one source. Nebraska AEYC received approximately 30% and 36% of its annual income from a contract with the Nebraska Department of Education for the years ended September 30, 2023 and 2022, respectively. If this funding source was lost, Nebraska AEYC may not be able to continue the level of services currently provided.

**NOTE F - RETIREMENT PLAN**

In order to be eligible to participate in the SIMPLE IRA plan, an employee must receive at least \$5,000 in compensation, during any 6 month period prior to enrollment, and be reasonably expected to receive at least \$5,000 in compensation during the current year. Nebraska AEYC will match up to a maximum of 3% of compensation for employees. Employees may choose their own contribution percentage. Contributions to the retirement plan for the years ended September 30, 2023 and 2022 were \$6,926 and \$6,960, respectively.



NOTES TO FINANCIAL STATEMENTS

**NOTE G - INCOME TAXES**

Nebraska AEYC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended September 30, 2023 and 2022, Nebraska AEYC had no tax liability on unrelated business activity. Nebraska AEYC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Nebraska AEYC's federal Returns of Organization Exempt from Income Tax (Form 990) for September 30, 2023, 2022, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

**NOTE H - LIQUIDITY AND AVAILABILITY**

The following table reflects Nebraska AEYC's financial assets as of the statement of financial position date reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 79,484	\$ 41,673
Accounts receivable	32,498	31,624
Grants receivable	241,325	226,796
Less: chapter funds	<u>(55,355)</u>	<u>(53,498)</u>
	<u>\$ 297,952</u>	<u>\$ 246,595</u>

As of September 30, 2023, Nebraska AEYC has average days (based on normal expenditures) cash on hand of 106 days.

Cash is held in interest bearing checking accounts and is readily available. Additionally, Nebraska AEYC could draw upon the revolving line of credit. In the event of a liquidity crisis, Management could make the decision to submit reimbursable funding requests to grantors on a more frequent basis (i.e. monthly) than the typical quarterly submissions.

**NOTE I – NEW ACCOUNTING STANDARD**

Nebraska AEYC adopted the standard, effective for the year ended September 30, 2023, using a modified retrospective approach with the effective date option, which allows Nebraska AEYC to apply the standard at the effective date, October 01, 2022, and recognize a cumulative effect adjustment to the opening balance of equity in the period of adoption. Under this approach, the reporting for comparative periods presented in the financial statements will continue to be in accordance with legacy GAAP.

The new standard provides a number of optional practical expedients in transition. On adoption, Nebraska AEYC elected the package of practical expedients permitted under the transition guidance, which allowed Nebraska AEYC to carry forward historical lease classifications for existing leases on the adoption date and allowed Nebraska AEYC not to assess whether an existing contract contains a lease or initial direct costs. In addition, Nebraska AEYC also elected not to apply the lease recognition requirements to its short-term leases, that is, leases with a term of 12 months or less, as allowed under the standard. Nebraska AEYC did not elect the hindsight practical expedient to determine the lease term for existing leases.

NOTES TO FINANCIAL STATEMENTS

**NOTE I – NEW ACCOUNTING STANDARD - CONTINUED**

The adoption of this standard resulted in recognition of lease assets in the amount of \$18,791 and lease liabilities in the amount of \$18,791 on the statement of financial position. The adoption of the standard did not result in a cumulative effect adjustment to the opening balance of equity in the period of adoption based on the initial recognition of Nebraska AEYC's active leases at the effective date. Nebraska AEYC's accounting policies in note A have been updated to reflect the impact of the standard. Additionally, see note C for further disclosure of Nebraska AEYC's leasing arrangements.

**NOTE J - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

