

“PROGRAMS WHICH
PROMOTE THE GROWTH
AND DEVELOPMENT OF
YOUNG CHILDREN ARE
THE BEST INVESTMENT FOR
DEVELOPING THE HUMAN
CAPITAL NECESSARY FOR
ECONOMIC GROWTH.”

— A REPORT BY THE
WORLD BANK



SMART
BEGINNINGS

Ready for School. Ready for Life.

A Letter

from the Chairman and President

Dear Citizens of the Commonwealth,



Scott L. Hippert
President

We are pleased to share this report of the progress made by the Virginia Early Childhood Foundation during our fiscal year that ended June 30th, 2008. The quotation on our cover clearly states that early childhood development is the foundation of human capital formation. We firmly believe this, not just because it is from the World Bank, but because long-term economic and scientific studies prove that investing in children early in life strengthens their chances of success in school and in the workplace, while helping them become healthy, contributing members of their communities.




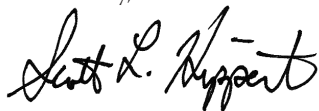
Paul O. Hirschbiel
Chair

This 2008 Annual Report presents the steady progress made by the Foundation during the last fiscal year. It was the first full year of operations for the Foundation and this report covers our second year of funding from the FY2007 General Assembly appropriation. We are pleased to report that public funds have been used effectively to support local efforts to build early childhood delivery systems and leadership across the Commonwealth. These funds have been matched with private sector resources raised by the Foundation and with local investments made by public and private sector supporters in our Smart Beginnings communities around Virginia. What is even more astonishing is the fact that because of our modest investments in their communities, Smart Beginnings coalitions have been able to obtain and leverage resources nearly four times greater than our investments. This clearly demonstrates the broad commitment that citizens and leaders from all sectors of Virginia have made to this investment in human capital.

We are also pleased to report that the Foundation has strengthened its staff expertise and is offering increased levels of technical assistance to Smart Beginnings coalitions. At the same time, we are providing leadership to a variety of statewide initiatives, including a pilot of a Quality Ratings and Improvement System (QRIS) that will ultimately serve to help parents make educated choices regarding the early learning settings where they place their children. We also expect the QRIS to dramatically improve the quality of early care and education environments across Virginia.

In a very short time, the Virginia Early Childhood Foundation has made tremendous progress towards the creation of strong early childhood systems to improve the school readiness of our youngest Virginians. By partnering with the public and private sectors, and with their increased support, we will continue to invest in Virginia's human capital and future success.

Sincerely,



Smart Beginnings



The vision of the Virginia Early Childhood Foundation is that all children will enter kindergarten healthy and ready to succeed in school and life. Its mission is to provide collaborative leadership to foster Smart Beginnings for all young children in Virginia and through them a vital future for the Commonwealth.

The Virginia Early Childhood Foundation is a public-private partnership led by a diverse board including business, civic, education, health, human services, and government leaders representing all sectors and regions of the Commonwealth. It was created in December 2005 to address significant challenges that impact the economy, social fabric, and quality of life in the Commonwealth by improving the school readiness of young children ages birth to five years. For instance, in many Virginia communities, one in three children arrive at school not prepared to meet the requirements of kindergarten. This means they will most likely remain behind throughout school and into adulthood.

Nonprofit and Nonpartisan

While the Foundation works in partnership with state government, it operates independently under the governance of its board of directors. This independence puts the Foundation in a position to provide long-term continuity and sustainability to early care and education initiatives in Virginia.

Support for Community Efforts

We provide competitive grants and technical assistance to coalitions of early childhood stakeholders and leadership councils that commit themselves to improving the school readiness of young children in their communities. This builds the capacity and infrastructure in local communities for the delivery of high quality early childhood services, and supports parents in their role as a child's primary teacher and caregiver.

Strategic

The Foundation leads, coordinates, and supports collaborative efforts to build a statewide comprehensive

system of high quality early childhood care, education, human services and health services. This system is based on common goals, local solutions, and parent involvement. The Foundation also promotes a vigorous and persistent public awareness initiative to build a clear understanding of the long-term economic and social benefits of investments in high-quality early care and education. As a part of these efforts, it spotlights best practice models that produce successful results, while also stimulating proactive, innovative approaches to early care and education.

Best Practices

The Foundation encourages statewide best practices through technical assistance and supports an early childhood learning community. In all our work, the Foundation maximizes the effective and efficient use of both public and private resources. Finally, the Foundation maintains a commitment to measurable outcomes at both the state and local levels.

“Virginia is moving toward a more complex delivery

system. The Virginia Early Childhood Foundation will make early

childhood services available to a much larger group of children than had previously been the case.”



Dr. Thomas R. Morris
Virginia Secretary of Education

Milestones of Success

The Virginia Early Childhood Foundation made significant strides forward with the development of Smart Beginnings initiatives and leadership in communities across Virginia.

Over the past year, sixteen grant recipients worked to improve school readiness in their region. The Foundation has forged new partnerships, awarded new grants, and watched projects succeed. In addition, our innovative and results-oriented approaches towards improving school readiness received national attention. The following are a few additional 2008 milestones to report:

“The Virginia Early Childhood Foundation is quickly assuming the role to provide technical assistance to community grantees on evaluation measurements and requirements.

The Foundation hosts evaluation workshops where communities can develop a common understanding and approach to measuring

progress so collective lessons and progress towards intended outcomes can be identified, despite high degrees of variation in each grantee’s goals and abilities.”

*—Partnering with the Private and Philanthropic Sectors:
A Governor’s Guide to Investing in Early Childhood*

2008 Highlights and Successes

The National Governors Association Center for Best Practices Highlighted Virginia in a Report Regarding Best Practices in Public-Private Partnerships:

The Office of Early Childhood Development and the Foundation collaborated with publication editors to highlight and share Virginia’s accomplishments. The Foundation is being used as a best practice model as additional states look to maximize funding and achieve positive outcomes for young children.

An Additional \$250,000 Supported Virginia’s Infant and Toddlers:

In 2007, the Department of Social Services awarded new funds to the Virginia Early Childhood Foundation. These federal funds earmarked for infant and toddler services were awarded to three organizations; Smart Beginnings Charlottesville/Albemarle, Fairfax County School Readiness Collaborative, and Smart Beginnings South Hampton Roads.

Quality Rating Improvement System (QRIS) Pilot:

With support from Capital One, the Virginia Early Childhood Foundation, Governor’s Working Group on Early Childhood Initiatives, and Child Development Resources piloted Virginia’s first statewide QRIS. Known as Virginia’s Star Quality Initiative, nearly 200 preschool classrooms across 14 pilot communities were observed by trained and reliable Star Quality Raters. Virginia’s QRIS is particularly notable among other states for its emphasis on measuring the quality of interactions among children and staff, which research shows is closely linked to improved school readiness. The Foundation will continue to support the QRIS pilot and foster its expansion in 2009.

Over 50 Organizations Endorsed Virginia’s Plan for Smart Beginnings:

The purpose of the Plan is to build and sustain a system to support parents and families as they prepare their children to arrive at kindergarten healthy and ready to succeed. The Plan includes five goal areas: Governance and Financing, Parent Support and Education, Early Care and Education, Health, and Public Engagement. Public and private sector leaders have identified outcomes toward which all efforts contribute, which will ultimately help create an integrated database for collecting measurements of progress in those areas.

New Smart Beginnings Website Launched:

Launched in Fall 2007, www.smartbeginnings.org has become Virginia’s leading provider of information and resources for parents with young children, employers, community leaders, and early childhood professionals. Over 15,000 Virginians visited the website, spending over 1,000 hours learning about early childhood development and Smart Beginnings initiatives.

Mentoring by Smart Start’s National Technical Assistance Center (NTAC):

This two year grant, awarded to the Commonwealth of Virginia, quickly and effectively established Virginia’s Smart Beginnings initiative and provided leadership training and technical assistance to grantees. Last year, four workshops were held. In addition, the Foundation supported local Smart Beginnings leaders to join us at the National Smart Start Conference in April and hosted workshops specific to Virginia.

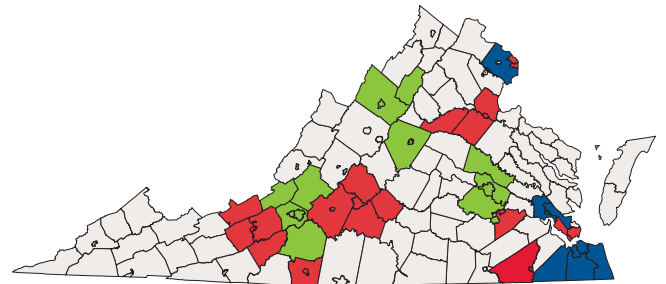
Capital One Strengthened Virginia’s Public Awareness Initiatives:

Capital One provided the Foundation with \$115,000 of in-kind support. Their professional services resulted in a stronger logo and visual identity for the initiative. In addition, they produced a school readiness video series and advertising templates for use by Smart Beginnings partners throughout the Commonwealth.

Smart Beginnings Grants



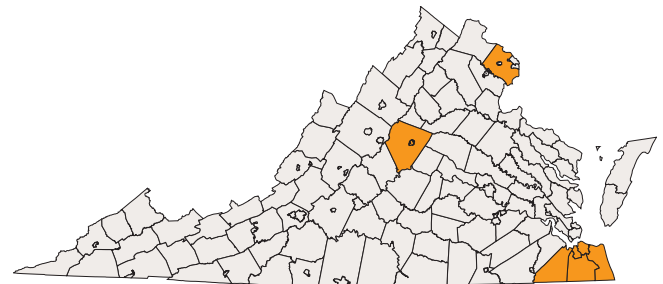
In May 2007, the Virginia Early Childhood Foundation awarded over \$2.4 million in Smart Beginnings Partnership, Planning and Sustaining grants to sixteen community coalitions and leadership councils. Partnership and Sustaining grants are now in the second year of their initiatives, and funding will continue to June 2009. Planning Grants were complete by June 2008 and the newly formed coalitions hope to receive additional funding to further implement the strategic plans they have developed.



■ Planning Grants
 ■ Partnership Grants
 ■ Sustaining Grants

Additional Investment to Support Infants and Toddlers

Smart Beginnings Charlottesville/Albemarle, Fairfax County School Readiness Collaborative, and Smart Beginnings South Hampton Roads were awarded a total of \$250,000 to strengthen services for infants and toddlers in their regions. These were federal funds, provided to the Foundation by the Virginia Department of Social Services.



■ Infant and Toddler Grants

Quality Ratings and Improvement System

With support from Capital One, a \$75,000 grant was awarded to Child Development Resources of Williamsburg to coordinate a pilot of Virginia's new Quality Ratings and Improvement System, Virginia's Star Quality Initiative. Many public and private agencies collaborated in this effort, including most Smart Beginnings coalitions across the Commonwealth.



Smart Beginnings Partnership Grants

Four Partnership Grants of up to \$500,000 each were awarded in May 2007 to local coalitions that had successfully completed strategic planning, leadership development, and systems-building activities. Halfway through their implementation period, these Smart Beginnings Partners report significant achievements in a variety of areas:

Richmond Region Early Childhood Leadership Council

Chesterfield County
Hanover County
Henrico County
City of Petersburg
City of Richmond

Contact:
Barbara Couto Sipe
804-771-5869
coutob@yourunitedway.org

Home Visiting Collaboration:

The City of Richmond is piloting a Home Visiting Referral Center. The center provides a consolidated entry point to services. As a result, more families will be served by home visiting programs.

Quality Child Care:

Three quality improvement programs are collaborating to improve the quality of early care and education. The STAR Project provides mentoring, technical assistance and financial incentives to programs working to improve quality. These providers will be rated using Virginia's Star Quality Initiative standards.

Early Intervention:

The Richmond region has identified children with special needs as a focus of attention. Medical Home Plus sponsored two statewide conferences. Include Me and Therapeutic Child Care work with child care professionals to improve services for children with special physical, emotional, and behavioral health needs.

Public Awareness and Commitment:

The School Readiness Committee, Richmond Region Leadership Council, Early Childhood Development Coalition, Petersburg Alliance for Children and Families, and Success By 6 has increased the level of school-readiness awareness. Partners planned and participated in a Regional Forum for School Readiness in May 2008.

Success By 6 is staffed by the Greater Richmond Chamber and United Way of Greater Richmond & Petersburg

Smart Beginnings Charlottesville/ Albemarle

Albemarle County
City of Charlottesville

Contact:
Miriam Rushfin
434-972-1702
mrushfin@unitedwaytja.org

Local Collaboration:

Business, education, and community leaders have joined in support of school readiness initiatives across the region. This leadership council, which includes many high profile community leaders, serves as a model for other communities.

Quality Rating System (QRS):

Provider participation has increased by 100% and includes nearly one third of local child care centers and preschools in the region. Charlottesville/Albemarle is aligning its QRS with Virginia's Star Quality Initiative pilot, which is supported by the Foundation.

Developmental Screenings:

The group has partnered with 6 child care centers and over 25 pediatricians with a goal of providing universal early development screenings. This effort has identified 26 special needs children and an additional 17 children for early prevention programs.

Family Liaisons:

Charlottesville City Schools and Charlottesville Social Services now provide greater support for families with at-risk preschoolers. In Albemarle County, a bilingual family support worker reaches isolated Spanish-speaking parents with young children.

“We want to knit together a program that caters to all kids in the community. This grant will act as a model that can be used by other areas of the state.”



Dr. Robert Pianta,
Dean, UVA Curry School
of Education

Chair, Smart Beginnings
Charlottesville/Albemarle
Leadership Council



Smart Beginnings Greater Roanoke

Botetourt County
Craig County
Franklin County
City of Roanoke
Roanoke County
City of Salem
Town of Vinton

Contact:
Marnie Andrew
540-983-0700 x225
mandrew@roanokechamber.org

Early Education:

A workgroup of 20 professionals formed to improve the quality of child care in the region. The group is implementing a professional development curriculum based on the Competencies for Early Childhood Development, Milestones of Child Development, and Professional Development Career Lattice. It is also using new technologies to make training opportunities accessible to outlying areas.

Parent Education:

Parent workshops, home visits, and community literacy experiences are taking resources to families where they live and work. Through collaborative efforts, the community is providing increased resources, training, education, and materials to parents. Through these educational efforts, families have increased understanding of early childhood development and created more developmentally rich learning environments for children.

Public Engagement:

Local marketing professionals are working to increase awareness of the importance of early childhood education. They are creating a one-stop website for parents, educators, and business affiliations to provide information, resources, and opportunities for learning.

“This approach has allowed us to maximize resources and harness many volunteer hours and expertise to benefit children in the community.”



Marnie Andrew,
Program Manager
Smart Beginnings
Greater Roanoke

Success By 6 Coalition of the Shenandoah Valley

City of Harrisonburg
Page County
Rockingham County

Contact:
Pat Kennedy
540-568-2557
kennedypa@cisat.jmu.edu

Transition to Kindergarten:

The group has aligned public and private curriculum and purchased materials for private 4-year-old classrooms.

One-Stop Service Delivery:

A one-stop service center, known as the Success by 6 Academy, now coordinates 17 local programs to better serve families and children. An inter-agency database and common referral system will serve as a model for other localities.

Professional Development:

Providers have begun to use the Competencies for Early Childhood Development and Virginia’s Professional Development Career Lattice to improve the quality of child care in the region.

Expansion:

Two adjoining jurisdictions have approached Success by 6 of the Shenandoah Valley and may join the partnership.



Smart Beginnings Sustaining Grants

Sustaining grantees have successfully completed planning, leadership, and systems-building activities and have fully implemented their local strategic plan for improving school readiness for young children and their families. Grant awards, of up to \$100,000 over a 24-month period, help sustain these initiatives while greater local support is secured. Grantees from the fiscal year that began in July 2007 have completed the first year of their grant and report significant achievements in a variety of areas:

“Smart Beginnings is preparing the workforce that businesses will need fifteen to twenty years from now. If we don’t invest in our children while they are very young, we will not have the talent to lead and operate our businesses in the future.”



Gary T. McCollum,
SVP & General Manager
Cox Communications,
Hampton Roads, LLC

Kids First Coalition

James City County
City of Williamsburg
York County

Contact:
Sheri Osborne
757-566-2849
sherio@cdr.org

Local Collaboration:

Child Development Resources served as the fiscal agent and lead agency bringing a strong history of fiscal stewardship and administration of programs at the local, national, and state level. The coalition works with child care providers from a cross section of service delivery models including commercial centers, faith based programs, college preschools, and family care providers. Increased community awareness has created a broad base of support for a comprehensive service system.

Quality, Accessibility and Inclusiveness:

Need based training and technical assistance through course credits and increased registration of family care homes has improved the quality of care in the region. Various training curriculum are in place for the project focus areas of early literacy, management in child care centers, school readiness, and inclusion of children with special needs.

Access to Health Resources:

The Williamsburg region focused its attention on improving access to child development and health resources for families and providers. This has ensured increased school readiness for all children.

School Readiness Collaborative

Fairfax County

Contact:
Betsi Closter
703-324-8053
Betsi.closter@fairfaxcounty.gov

Building Relationships:

The Office for Children, Fairfax County Public Schools, Fairfax County Head Start, Northern Virginia Community College, and Fairfax Futures has collaborated with child care professionals to design early learning programs that set the stage for future success in school. Neighborhood School Readiness Teams also build relationships and communication channels so children and their families will experience smooth transitions into kindergarten.

Parent Involvement:

Initiatives have helped parents support their child’s learning and development at home, at child care, and when they enter elementary school. This includes a partnership with the Fairfax County Public Library in order to reach families in their own neighborhoods.

Mental Health:

Resources have assisted early childhood professionals as they respond to children’s challenging behaviors and support social and emotional development. These resources include both training and child care health consultant services.

Smart Beginnings South Hampton Roads

City of Chesapeake
City of Norfolk
City of Portsmouth
City of Suffolk
City of Virginia Beach

Contact:
Lisa Howard
757-226-8826
lhoward@smartbeginningsshr.org

Local Collaboration:

The organization was formed by business and community leaders and is a nonprofit organization that serves as a model for others across Virginia. The initiative seeks to maximize the potential of every child in the region and ensure access to high-quality early care and education.

Professional Development:

A career advancement tool has been developed to help early care and education professionals make progress in their training and education. This has been adopted by the Commonwealth of Virginia. In addition, an economic impact and workforce study of the early care and education industry in South Hampton Roads has served as a powerful tool to build awareness within the region. Mentorship programs have also improved the quality of 48 child care centers and family child care homes.

Education and Public Awareness:

Linking parents with community resources, partners have distributed over 54,000 Community Connections Resource Guides. In addition, a two-year regional early childhood print and media campaign has greatly improved public awareness in the region and serves as a model for other communities.

“The biggest benefit for us is in being part of a larger, statewide movement and being a part of the Smart Beginnings network. Opportunities for collaboration and coordination of efforts have increased exponentially.”



Carla Javier
Kids First Coalition



Smart Beginnings from Planning to Implementation

Planning Grants of \$50,000 were awarded to nine Smart Beginnings coalitions in May 2007. These grantees have spent the past year engaged in strategic planning, leadership development, and systems-building activities. These 12-month grants help local coalitions to conduct community needs assessments, develop an early childhood strategic plan, build interagency collaboration, develop community engagement campaigns, and jumpstart initiatives for high-quality childcare, home visiting, early learning, provider training, and transition to kindergarten activities.

Caroline Smith, Program Director, speaks with grant recipients at the 2008 National Smart Start Conference. The Virginia Early Childhood Foundation provided scholarships to planning grant recipients wishing to attend the four day conference in Greensboro, North Carolina.



Planning Grant Recipients

Alexandria and Arlington	Karen Hughes (703) 549-0111
Franklin City and Southampton	Barbara Mease (757) 562-6806
Fredericksburg Area: Fredericksburg, Spotsylvania and Stafford	Melissa Terry (540) 373-0041
Hopewell and Prince George	Bernetta Quinn (804) 458-9271
Lynchburg Area: Amherst, Appomattox, Bedford, Bedford City, Campbell, and Lynchburg	Gayle Lucado (434) 455-6914
Martinsville and Henry County	Sheryl Agee (276) 638-3946
Newport News and Hampton	Belinda Willis (757) 870-6161
New River Valley Area: Montgomery, Floyd, Giles, Pulaski and Radford	Katy Irene St. Marie (540) 558-8652
Orange County	Ruth Anne Paisley (540) 672-5484

Expanded Smart Beginnings in 2009

The Virginia Early Childhood Foundation Board of Directors has approved five new grants to support additional Smart Beginnings activities over a 24-month period, beginning July 2008. In November 2008, the Foundation will award additional Smart Beginnings grants.

Getting Ready Grants

A new grants program was launched in 2008 for communities and regions that have been successful in their initial planning but require additional time to develop their comprehensive strategic plans. With funding of up to \$100,000 over two years, these initiatives will continue developing their long-term plans for systems-building and sustainability, while implementing programs in at least one of the competency areas of the Getting Ready Model.

Getting Ready Grants

Smart Beginnings Rappahannock Area

Caroline County	Angie Sullivan
Fredericksburg City	540-373-0041 x23
King George County	asullivan@rappahannockunitedway.org
Spotsylvania County	
Stafford County	

Smart Beginnings Virginia Peninsula

City of Hampton	Belinda Willis
City of Newport News	757-870-6161
	Bjhw3@cox.net

Partnership Grants

Smart Beginnings Western Tidewater

Franklin City	Connie Burgess
Isle of Wight County	757-566-2849
Southampton County	Cburgess@franklinva.com

Smart Beginnings Martinsville & Henry County

Henry County	Sheryl Agee
Martinsville City	276-403-5963
	sheryl@unitedwayofhcm.org

Central Virginia Success By 6 and Smart Beginnings

Amherst County	Gayle C. Lucado
Appomattox County	434-455-6914
Campbell County	Gayle.lucado@unitedwaycv.org
Bedford City	
Bedford County	
Lynchburg City	



Financials

Achieving Smart Beginnings' goals is dependent in large part upon the resources and leadership provided by both public and private partners. Recognizing the social and economic benefits, these entities have come together in support of investments in our youngest citizens that will produce a competitive workforce, strong economy, and improved quality of life for all Virginians.

2008 public funding for the Foundation was appropriated by the General Assembly through General Funds allocated to the Virginia Department of Social Services (VDSS) and through federal infant and toddler earmarked funds, which are also allocated through VDSS.

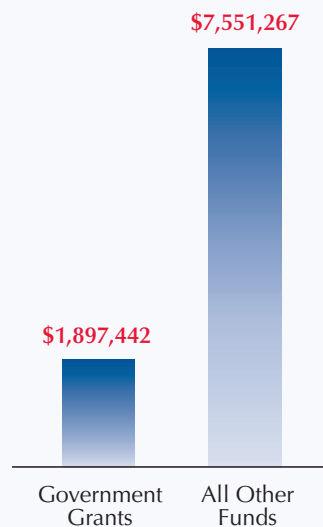
“This is one of the best things you can do for your state.

If you want to leave a legacy of great achievement, then push the policies of investing in early education; push high quality education programs. Ten, twenty and thirty years from now, people will look back and thank you for the extraordinary work you did for your citizens.”



Robert G. Lynch,
Professor of Economics
Washington College

Smart Beginnings Support



Private funds and in-kind donations were contributed by corporations, foundations, and individuals to the Virginia Early Childhood Foundation. Smart Beginnings grant recipients secured cash matches at the local level and reported additional funds leveraged to support their early childhood initiatives .

Smart Beginnings Support in FY08

Government Grants	\$1,897,442
Donations Received by the Foundation	\$611,953
Interest Received by the Foundation	\$73,784
Required Cash Match	\$1,366,764
Local Leveraged Funds	\$5,498,766

TOTAL SUPPORT **\$9,448,709**

Investments from the 2007 General Assembly appropriation support grants awarded in May 2007. Some of these funds have been deferred to FY2009 to support the completion of those grants.

Actual audited financial statements for FY2008 begin on page 12 of this report.

Thank You for your Support



To make an online contribution, please go to www.smartbeginnings.org

The Virginia Early Childhood Foundation expresses deep appreciation to the generous contributors that support Smart Beginnings initiatives through their contributions to the Foundation.

The following reflects direct contributions that have supported the Foundation since its creation in 2006 until the printing of this publication.

Government Support

Virginia General Assembly
Virginia Department of Social Services

Corporations and Foundations

Capital One
Dominion Resources
Ferguson Enterprises
Freddie Mac Foundation
Robins Foundation
National Governors Association
The Norfolk Foundation
Norfolk Southern Corporation
SunTrust Mid-Atlantic Foundation
Virginia Natural Gas
Wachovia

Board and Individual Support

Kenneth E. Ampy
Terry & Bill Anderson
Peter A. Blake
Katherine E. Busser
W. Lyles Carr
Thomas Chewning
Glenda Coefield
Ben J. Davenport, Jr.
Allison Cryor DiNardo
Dr. Mark Emblidge
Kristina V. Friar
William and Birgitta Friar
Jodi S. Gidley
Kathy Glazer
Hon. Patrick O. Gottschalk
Paul O. Hirschbiel
Maurice A. Jones
Reginald N. Jones
Scott L. Hippert
Mark Keeler
Patricia Kennedy
Melissa King and Family
Dr. Colleen A. Kraft
Rob Krupicka
Angelica and Henry Light
Henry P. Linginfelter
Sherrie Lookner
Virginia McLaughlin

In-Kind Support

Astyra Corporation
Blue Ridge PBS
Capital One
Keith Fabry Reprographic Solutions
The McCormick Group
National Technical Assistance Center
Number One Design
Sun Trust
United Way of Greater Richmond and Petersburg

Barbara Mease
Lori M. Morris, Bruhn-Morris
Family Foundation
Dr. Thomas R. Morris
Dr. Novella J. Ruffin
Hon. Marilyn B. Tavenner
Susie and Buford Scott
Caroline Smith
J. Scott Wilfong
Mary Williams
Danielle H. Yarber

Corporate Partners

The following corporations and foundations have committed over \$100,000 to support the initiatives of the Foundation:



Jodi S. Gidley, President
Virginia Natural Gas

“Virginia Natural Gas believes in giving back to the communities we serve to make them a better place to live and work for our customers and our employees. We support Smart Beginnings because their educational programs set the stage for all future learning. This is a short-term educational program and a long-term community development program.”

Independent Auditor's Report

The Virginia Early Childhood Foundation contracted with Larry Saunders & Associates, Certified Public Accountants, LLC to conduct its year-end audit for the fiscal year ending June 30, 2008. The following statements are taken directly from the auditor's report.

Statement of Financial Position

June 30, 2008

Assets

Current Assets

Cash and Cash Equivalents (note 1.e and 10)	1,808,124
Other Assets	5,771

Total Current Assets	\$ 1,813,895
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Equipment, Furniture and Fixtures	12,362
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Accumulated Depreciation	(2,179)
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Total Assets	\$ 1,824,079
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	314,994
Accrued Vacation	14,857

Total Current Liabilities	\$ 329,850
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Net Assets

Unrestricted	608,157
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Temporarily Restricted for Future Use (note 11)	886,071
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Total Net Assets	1,494,228
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Total Liabilities and Net Assets	\$ 1,824,079
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Statement of Activities

For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total (Memo Only)
Public Support and Revenue			
Public Support			
Contributions (note 6 & 9)			
Individuals	6,235	-	6,235
Board Contributions	41,883	-	41,883
Corporations	378,000	-	378,000
Foundations	70,000	-	70,000
Inkind Contributions	115,835	-	115,835
Total Received Directly	\$ 611,953	-	\$ 611,953
Total Public Support	\$ 611,953	-	\$ 611,953
Revenue			
Government Grants (note 11)	1,897,442	886,071	2,783,513
Interest Revenue	73,784	-	73,784
Total Revenue	\$ 1,971,226	\$ 886,071	\$ 2,857,297
Net Assets Released from Restrictions	50,000	(50,000)	-
Total Support and Revenue	\$ 2,633,179	\$ 836,071	\$ 3,469,250
Expenses			
Program Services	1,842,830	-	1,842,830
Total Program Services	\$ 1,842,830	-	\$ 1,842,830
Supporting Services			
Fund Raising	126,367	-	126,367
Management and General	172,385	-	172,385
Total Expenses	\$ 2,141,582	-	\$ 2,141,582
Change in Net Assets	491,597	836,071	1,327,668
Net Assets, Beginning	116,560	50,000	166,560
Net Assets, Ending	\$ 608,157	\$ 886,071	\$ 1,494,228

Independent Auditor's Report

Statement of Functional Expenses For the Year Ended June 30, 2008

	Programs	Fund Raising	Management and General	Total
Salaries (note 4)	198,195	95,793	64,361	358,349
Fringe Benefits	30,127	13,684	54,434	98,245
Total Staff Compensation	\$ 228,322	\$ 109,477	\$ 118,795	\$ 456,594
Professional Fees and Contract Services	54,414	1,044	13,125	68,583
Supplies	3,966	1,827	2,374	8,167
Telephone	2,533	977	1,436	4,946
Postage	1,245	308	1,126	2,679
Occupancy (notes 3)	12,196	4,569	6,081	22,846
Printing and Publications	6,589	2,789	2,355	11,733
Travel	20,651	1,133	5,490	27,274
Meetings	3,867	-	3,628	7,495
Membership Dues	168	230	1,336	1,734
Furniture and Equipment	88	435	1,356	1,879
Insurance	1,487	260	922	2,669
Grants to Others	1,365,456	-	-	1,365,456
Special Events	25,350	512	10,716	36,578
Other Expenses	663	2,806	3,645	7,114
Inkind Expenses	115,835	-	-	115,835
Total Expenses before Depreciation	\$ 1,842,830	\$ 126,367	\$ 172,385	\$ 2,141,582
Total Expenses	\$ 1,842,830	\$ 126,367	\$ 172,385	\$ 2,141,582

Statement of Cash Flows

Year Ended June 30, 2008

Cash Flows from Operating Activities

Change in Net Assets	\$ 1,327,668
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities	
Depreciation	2,179
(Increase) Decrease in Accounts Receivable	500
(Increase) Decrease in Other Assets	(2,382)
Increase (Decrease) in Accounts Payable	281,836
Increase (Decrease) in Accrued Vacation	10,781
Increase (Decrease) in Accrued Wages	(5,824)
Increase (Decrease) in Refundable Advances	(1,033,003)
Net Cash Provided (Used) by Operating Activities	\$ 581,755

Cash Flows from Investing Activities

Furniture and Equipment Purchases	(1,602)
Net Cash Provided (Used) by Investing Activities	(1,602)

Cash Flows from Financing Activities

Net Increase (Decrease) in Cash and Cash Equivalents	\$ 580,153
Cash and Cash Equivalents, Beginning	\$ 1,227,971
Cash and Cash Equivalents, Ending (note 1e)	\$ 1,808,124

Local Partners and Commitment

Thank you for your support!

The Virginia Early Childhood Foundation challenges local communities to match grant funds with local public and private resources. The following local partners contributed both required cash match and leveraged funds to support local Smart Beginnings initiatives:

“The Obici Healthcare Foundation supports Smart Beginnings efforts in Franklin City, Southampton and Isle of Wight because they provide us with a valuable opportunity to improve the health and well-being of our community’s most vulnerable young children.”



Michael Beachler
Executive Director,
Obici Healthcare Foundation

- Albemarle County
- Alexandria Department of Human Services
- American Bulldog Construction
- Arc of the Piedmont
- Arlington Community Foundation
- Bank of America
- Barnes Technology
- Batten Educational Achievement Fund
- BB&T
- Blue Ridge Public Broadcasting
- Boeing
- Shirley & Cabell Brand
- Laura Brennan
- Cameron Foundation
- Campagna Center
- Capital AHEC
- Capital One
- Carilion Foundation
- CarMax
- Charlottesville City Schools
- Charlottesville/Albemarle Commission on Children and Families
- Child & Family Connection
- Child & Family Services of Eastern Virginia
- ChildCare Connection
- Children, Youth & Family Services
- Citizens and Farmer’s Bank
- City of Charlottesville
- City of Hopewell
- City of Richmond
- City of Roanoke
- City of Williamsburg
- College of William & Mary Campus Childcare
- Cox Communications
- Davis & Co.
- Dominion Enterprises
- Dominion Resources
- Fairfax County
- Fairfax County Public Library
- Fairfax Futures
- Foundation for Roanoke Valley
- Franklin City Council
- Freddie Mac
- Freedom Baptist Day School
- Hand in Hand Resource Mothers
- Hantzmon Wiebel
- Harrisonburg City Public Schools
- Healthy Families of the Blue Ridge
- Henry County Public Schools
- U.S. Dept. of Housing and Urban Development Community Development Block Grant
- Jackson Foundation
- James City County Department of Social Services
- James Madison University
- Kiwanis International
- Lacy Rae Foundation
- Landmark Communications Foundation
- Martinsville City Public Schools
- McDonalds Restaurant
- Meador Foundation
- Elizabeth, Ann & Wistar Morris
- Network for Latino People
- New Bridges Immigrant Resource Center
- Norfolk Foundation
- Orange County
- Page County Public Schools
- Portsmouth Community Foundation
- Preschool Partners of the Virginia Peninsula
- Rappahannock United Way
- Richmond Hope Therapy Center
- Riverside Foundation
- Roanoke Regional Business Council
- Robins Foundation
- Ronald McDonald House Charities
- Jeanne Roper
- Safe Kids Central Shenandoah Valley
- Sentara Health Foundation
- Jane-Ashley Skinner
- Southampton City Council
- State Farm Insurance
- Strategic Analysis
- Strong Families Great Youth Coalition
- Target
- Thurman Foundation
- Towne Bank
- Training and Technical Assistance Center
- United Way—Thomas Jefferson Area
- United Way of Central Virginia
- United Way of Harrisonburg and Rockingham County
- United Way of Greater Richmond & Petersburg
- United Way of Greater Williamsburg
- United Way of Henry County & Martinsville
- United Way of Roanoke Valley
- USAA
- Virginia Board for People with Disabilities
- Virginia National Bank
- The Virginian-Pilot
- Valley Association for the Education of Young Children
- Wachovia
- WHSV—TV3
- Williams Mullen
- Williamsburg Honda Dodge
- Williamsburg Community Foundation
- Williamsburg - James City County Schools
- Williamsburg Montessori School
- Williamsburg Regional Library
- XPEDX
- York County Public Library
- York County Department of Social Services

Board of Directors

The Virginia Early Childhood Foundation is governed by an independent board of directors. Currently, the board of directors includes corporate, education, faith-based, and government leaders from across the state of Virginia. Next year, the Board of Directors of the Virginia Early Childhood Foundation will grow to include Democratic and Republican leaders from the Virginia General Assembly. These members will serve as ex officio members while they remain in office.

Thank you to the following members of the Board of Directors who served during FY2008:

Paul O. Hirschbiel, Chair
President, Eden Capital
Virginia Beach, Virginia

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CEO, Astyra Corporation
Richmond, Virginia

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Richmond, Virginia

The Honorable Patrick O. Gottschalk
Secretary of Commerce and Trade
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Norfolk, Virginia

Reginald N. Jones, Esq.
Attorney, Williams Mullen Clark & Dobbins
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Dr. Novella J. Ruffin
Asst. Professor & Child Development Specialist
Virginia Cooperative Extension,
Virginia State University
Petersburg, Virginia

The Honorable Marilyn B. Tavenner
Secretary of Health & Human Resources
Richmond, Virginia

J. Scott Wilfong
Chairman, President, & CEO,
SunTrust Bank - Greater Washington
Washington D.C.

Danielle H. Yarber
Vice President & General Manager,
XPEDX Roanoke
Salem, Virginia

**“The Virginia
Early Childhood
Foundation embraces
Virginia’s regional
diversity. While
Fairfax and Henry County
might share the same
goals, they have a very
different infrastructure.
The Foundation lets
communities set their
own agenda and provides
supports to ensure success.”**



Ben J. Davenport, Jr.
Chairman,
First Piedmont Corporation

References

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Early Childhood Development
From Measurement to Action:
A Priority for Growth and Equity.
Washington DC: The World Bank,
2007.

Staff

Scott L. Hippert
President

Maria R. Brown
Senior Director

Stacey Collier
Finance Coordinator

Kristina V. Friar
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Anne F. Hyslop
State Initiatives Coordinator

Melissa L. King
Grants Manager

Caroline Smith
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VIRGINIA EARLY CHILDHOOD FOUNDATION

Financial Statements

June 30, 2008

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

VIRGINIA EARLY CHILDHOOD FOUNDATION

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Virginia Early Childhood Foundation
Richmond, Virginia**

We have audited the accompanying statement of financial position, of Virginia Early Childhood Foundation, (VECF) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of VECF's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VECF as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2008, on our consideration of VECF'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

September 18, 2008



**VIRGINIA EARLY CHILDHOOD FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS

Current Assets	
Cash and Cash equivalents (note 1.e and 10)	\$ 1,808,124
Other Assets	<u>5,771</u>
Total current assets	1,813,895
Equipment, Furniture, and Fixtures	12,362
Accumulated depreciation	<u>(2,179)</u>
Total assets	<u>\$ 1,824,079</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	314,994
Accrued Vacation	<u>14,857</u>
Total current liabilities	<u>\$ 329,850</u>

NET ASSETS

Unrestricted	608,157
Temporarily Restricted for future use (note 11)	<u>886,071</u>
Total net assets	<u>1,494,228</u>
Total liabilities and Net Assets	<u>\$ 1,824,079</u>

See accompanying notes to financial statements

**VIRGINIA EARLY CHILDHOOD FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL (MEMO ONLY)</u>
PUBLIC SUPPORT AND REVENUE			
Public Support			
Contributions (note 6 & 9)			
Individuals	\$ 6,235	\$ -	\$ 6,235
Board Contributions	41,883	-	41,883
Corporations	378,000	-	378,000
Foundations	70,000	-	70,000
Inkind Contributions	115,835	-	115,835
Total received directly	<u>611,953</u>	<u>-</u>	<u>611,953</u>
 Total public support	 <u>611,953</u>	 <u>-</u>	 <u>611,953</u>
 Revenue			
Government Grants (note 11)	1,897,442	886,071	2,783,513
Interest Revenue	73,784	-	73,784
Total revenue	<u>1,971,226</u>	<u>886,071</u>	<u>2,857,297</u>
 Net assets released from restrictions	 <u>50,000</u>	 <u>(50,000)</u>	 <u>-</u>
Total support and revenue	<u>2,633,179</u>	<u>836,071</u>	<u>3,469,250</u>
 Expenses			
Program services	1,842,830	-	1,842,830
Total program services	1,842,830	-	1,842,830
 Supporting services			
Fund Raising	126,367	-	126,367
Management and general	172,385	-	172,385
Total expenses	<u>2,141,582</u>	<u>-</u>	<u>2,141,582</u>
Change in net assets	491,597	836,071	1,327,668
Net assets, beginning	<u>116,560</u>	<u>50,000</u>	<u>166,560</u>
Net assets, ending	<u>\$ 608,157</u>	<u>\$ 886,071</u>	<u>\$ 1,494,228</u>

See accompanying notes to financial statements

**VIRGINIA EARLY CHILDHOOD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Salaries (note 4)	\$ 198,195	95,793	64,361	\$ 358,349
Fringe Benefits	30,127	13,684	54,434	98,245
Total staff compensation	228,322	109,477	118,795	456,594
Professional fees and contract services	54,414	1,044	13,125	68,583
Supplies	3,966	1,827	2,374	8,167
Telephone	2,533	977	1,436	4,946
Postage	1,245	308	1,126	2,679
Occupancy (notes 3)	12,196	4,569	6,081	22,846
Printing and publications	6,589	2,789	2,355	11,733
Travel	20,651	1,133	5,490	27,274
Meetings	3,867	-	3,628	7,495
Membership dues	168	230	1,336	1,734
Furniture and Equipment	88	435	1,356	1,879
Insurance	1,487	260	922	2,669
Grants to Others	1,365,456	-	-	1,365,456
Special Events	25,350	512	10,716	36,578
Other Expenses	663	2,806	3,645	7,114
Inkind Expense	115,835	-	-	115,835
Total expenses before depreciation	1,842,830	126,367	172,385	2,141,582
Depreciation				
Total expenses	\$ 1,842,830	126,367	172,385	\$ 2,141,582

See accompanying notes to financial statements

**VIRGINIA EARLY CHILDHOOD FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008**

Cash Flows From Operating Activities

Change in net assets	\$	<u>1,327,668</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation		2,179
(Increase) decrease in accounts receivable		500
(Increase) decrease in other assets		(2,382)
Increase (decrease) in accounts payable		281,836
Increase (decrease) in accrued vacation		10,781
Increase (decrease) in accrued wages		(5,824)
Increase (decrease) in refundable advances		<u>(1,033,003)</u>
Net Cash Provided (Used) by Operating Activities		<u>581,755</u>
Cash Flows From Investing Activities		
Furniture and Equipment purchases		(1,602)
Net Cash Provided (Used) by Investing Activities		<u>(1,602)</u>
Cash Flows From Financing Activities		
Net increase (decrease) in cash and cash equivalents		580,153
Cash and cash equivalents, beginning		<u>1,227,971</u>
Cash and cash equivalents, ending (note 1e)	\$	<u><u>1,808,124</u></u>

See accompanying notes to financial statements.

**VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Summary of Significant Accounting Policies

The Virginia Early Childhood Foundation. (VECF) is a non-profit corporation exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. VECF is organized exclusively for educational and charitable purposes, to promote, aid and encourage early childhood education and services in the Commonwealth of Virginia, alone or in cooperation with governmental or other private bodies or agencies. It has no unrelated business income subject to federal income taxes under Section 511 of the Internal Revenue Code. It is funded principally from contributions and governmental grants. The following accounting policies unique to non-profit organizations are:

- a. Investment income derived from the investment of all funds is credited to revenue of current unrestricted funds in the periods earned.
- b. Donated fixed assets are recorded at fair market value when received.
- c. Donated services are recorded at fair market value as contributions and expenses when all of the following conditions are met:
 - 1. The services require specialized skills and are provided by individuals possessing those skills.
 - 2. The service would typically need to be purchased if not provided by donation.
 - 3. There is a clearly measurable basis for the amount recorded.

d. 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.

e. Disclosure of Accounting Policy

For the purpose of reporting cash flows, VECF considers all checking accounts and saving accounts and certificates of deposits with a maturity of three months or less to be cash and cash equivalents.

2. Land, Building, Equipment and Depreciation

Depreciation of equipment, furniture and fixtures is provided on a straight-line basis over the estimated useful lives of the assets. Equipment, furniture and fixtures are recorded on the books at cost or fair market value, if donated. Fixed asset purchases greater than \$1,000 are capitalized.

3. Lease Commitments

VECF entered into a thirty-six month lease as of April 30, 2007 for a copier. Total payments made during the year under this lease agreement was \$198.

VECF entered into a three year lease as of April 11, 2007 for office space located in Richmond, Virginia. Total payment made during the year under this lease agreement was \$22,847. Future payments under this lease agreement are as follows.

<u>Year</u>	<u>Amount</u>
2009	\$23,532
2010	<u>18,043</u>
	<u>\$41,575</u>

4. Accrued Vacation

VECF provides paid vacation for all regular employees. Vacation is available on a pro-rated basis to regular part-time employees. Vacation accrues monthly based on length of service and/or negotiated time off. All full-time employees accrue twelve days annually with an additional one day per year for each year of service maxing out at twenty-five days.

5. Pension Plans

VECF employees participate in a tax-deferred annuity plan that is subject to section 403 (b) of the Internal Revenue code. The tax-deferred annuity was established to allow employees the opportunity to contribute toward their retirement benefits. VECF was not required to contribute to this tax-deferred annuity. It was established only for employees to make contribution up to maximum contribution permitted by Internal Revenue Code. VECF employees also participates in a simplified employee pension plan in which VECF contributes 6% of the employee's total wages. Total retirement expense for the year was \$21,059.

6. Contributions and Grants

In accordance with Financial Accounting Standards Board (FASB) Statement No. 116, entitled Accounting for Contributions Received and Contributions Made, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor and/or grantor restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

7. Functional Expenses

Expenses are charged directly to program or management and general categories based on specific identification. Indirect expenses have been allocated based upon direct compensation.

8. Financial Statements

The accompanying financial statements are presented in accordance with FASB Statement No. 117. Under FASB Statement No. 117, entitled Financial Statements of Non-for-profit Organizations, VECF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

8. Financial Statements (continued)

In addition, VECF is required to present statements of functional expenses and of cash flows. VECF has reclassified its financial statements to present the two classes of net assets that apply to them, unrestricted and temporarily restricted net assets.

9. Cash and Investments

The Federal Deposit Insurance Corporation (FDIC) insures the accounts of each financial institution customer up to \$100,000 per financial institution. VECF has \$1,433,424 uninsured in its accounts with Wachovia bank. VECF also has \$150,000 uninsured in its account with First Market Bank.

10. Temporarily Restricted Net Assets

The temporarily restricted net assets consists of unexpended advances received from the Virginia General Assembly in the amounts of \$886,071. These funds are for future use.

11. Subsequent Event

In the subsequent year VECF received \$1,500,000 from the Virginia General Assembly to be used toward providing grants, training, and technical assistance to local communities working to build their capacity to provide families and children with high quality early childhood services and programs.

12. Concentrations

Seventy percent of VECF funding comes from the Virginia General Assembly and the Virginia Department of Social Services.

13. Related Party Transactions

Various board Members both individual and through a family foundation donated \$91,883 to VECF.

VIRGINIA EARLY CHILDHOOD FOUNDATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2008

<u>Major Programs</u>	<u>Federal CFDA NUMBER</u>	<u>EXPENDITURES</u>
<u>Department of Health and Human Services</u>		
Pass-through from Virginia Department of Social Services Child Care and Development Block Grant	93.575	\$ 500,607.00

**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
Virginia Early Childhood Foundation
Richmond, Virginia

We have audited the financial statements of Virginia Early Childhood Foundation (VECF) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered VECF's internal control over financial reporting as a basis for designing our auditing procedures 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 VECF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VECF's financial statements are free of 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.

VECF's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit VECF's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 18, 2008

A handwritten signature in cursive script that reads "Larry Anderson, Associate".

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To: The Board of Directors
Virginia Early Childhood Foundation
Richmond, Virginia

Compliance

We have audited the compliance of the Virginia Early Childhood Foundation (VECF) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2008. VECF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of VECF's management. Our responsibility is to express an opinion on VECF's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about VECF'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. Our audit does not provide a legal determination on VECF's compliance with those requirements.

In our opinion, VECF complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

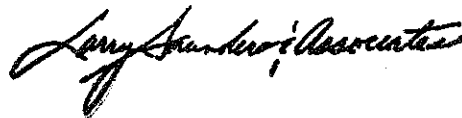
The management of VECF is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered VECF's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Board of Directors
Page 2
September 18, 2008

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 18, 2008

A handwritten signature in cursive script that reads "Larry Anderson, Associates".

VIRGINIA EARLY CHILDHOOD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the (general purpose) financial statements of Virginia Early Childhood Foundation.
2. There was one significant deficiency noted listed in part B below.
3. No instances of noncompliance material to the financial statements of Virginia Early Childhood Foundation were disclosed during the audit.
4. The auditor's report on compliance for the major federal award program for the Virginia Early Childhood Foundation expresses an unqualified opinion.
5. The program tested as a major program included: Child Care and Development Block Grant.
6. The threshold for distinguishing Type A and B programs were \$300,000 type A and \$100,000 for type B.
7. Virginia Early Childhood Foundation was determined to be a high-risk auditee due to the fact that this is their first year administering the grant funds.

B. FINDINGS AND QUESTIONED COSTS

**QUESTIONED
COSTS**

1. **Statement of Conditions:** We noted one bank account of four did not reconcile back to the trial balance. However, when we presented this bank reconciliation to management we noted the appropriate actions were taken to correct the errors noted on the bank reconciliation.

Criteria: Bank reconciliations should be reviewed and compare to trial balance totals on a monthly basis. Checks that are outstanding over 90 days should be voided.

Effect of Condition: This condition allows for the possibility that VECF financial reporting could be misstated or misappropriated and not be detected and corrected by VECF internal control on a timely basis.

Recommendation: We recommend all bank reconciliation be reviewed by the Executive Director on a monthly basis. During the review process totals on the bank reconciliation should be traced back to totals on the trial balance. We also recommend all checks outstanding over 90 days be voided.

VIRGINIA EARLY CHILDHOOD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

B. FINDINGS AND QUESTIONED COST (CONTINUED)

Corrective action plan: The following actions have or will be implemented to improve VECF finance operations.

- 1. New Finance Manager with greater accounting and software expertise has been contracted for services;**
- 2. Finance Manager will meet monthly to review all monthly payables, reconciliations and statements with President;**
- 3. President and Finance Manager will meet quarterly with the Finance and Audit Committee to review financials and make recommendations;**
- 4. Deposits will be made by senior staff members not directly working with finance.**

Total Questioned Cost

\$ -

PRIOR YEAR AUDIT FOLLOW-UP

There were no prior year findings.