



SMART
BEGINNINGS

Virginia Early Childhood Foundation

Annual Report 2013

For the fiscal year July 1, 2012 to June 30, 2013



VECF and Smart Beginnings: Executive Summary

What is our goal?

Promoting the school readiness of Virginia's young children.

Why is school readiness so important?

A child's experiences during the earliest years have the potential to impact the trajectory of his or her entire life. When a child is born with risks, such as low birth weight, or to a mother who has not completed high school, or in a family living in poverty, positive interactions with caring parents and adults and access to high quality care and learning environments can buffer those risks. Children in supportive families, living in communities where there is access to health care and responsive caregivers, are better prepared for kindergarten. Children who are better prepared are able to make the most of school once they arrive and remain motivated to be successful throughout their lives.

Why does school readiness matter to Virginians?

School readiness produces economic and social benefits including a productive workforce for Virginia. To learn more, see [Early Childhood Development and Returns on Investment](#).

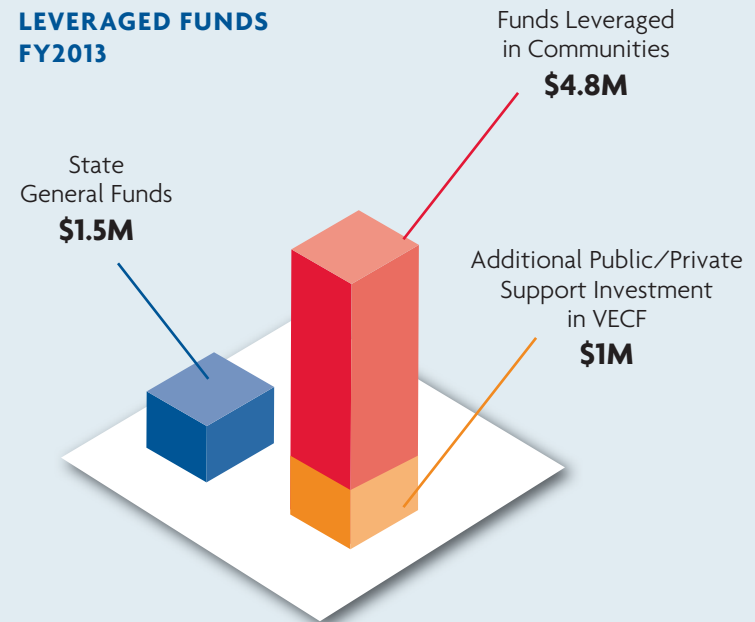
What is VECF's charge?

Virginia's Appropriation Act charges VECF, through a contract with the Virginia Department of Social Services, to support communities across the state as they develop proactive systems to promote school readiness for all children in Virginia, and to leverage one local or private dollar for every dollar of the state funding.

Is VECF a good steward of the charge and funds?

- Invested in 30 Smart Beginnings school readiness initiatives, encompassing nearly 100 counties and cities and 90% of the state's population
- Operated with general administration costs at under 7% of total expenses
- Exceeded required ratio, leveraging \$4 for every \$1 of state funding
- Nearly \$6 million were attracted by the \$1.5 million appropriation from state general funds.

LEVERAGED FUNDS FY2013



How does VECF bring added value to the Commonwealth?

In addition to Smart Beginnings, VECF:

- Tracks and reports benchmarks of progress at the state and local levels, bringing accountability to investments in early childhood development.
- Co-administers the Virginia Star Quality Initiative, a voluntary program to support the quality and stability of all types of child care and early learning programs. Star ratings inform parents about the quality of care options.
- Tests a comprehensive kindergarten assessment tool in kindergarten classrooms across the state. Kindergarten teachers piloting the GOLD assessment get the benefit of rich information about each child’s diverse skills and abilities, better supporting effective instruction.
- Partners with business leaders to promote the workforce and economic benefits of investment in school readiness, and to bring investment and innovation to Virginia’s early childhood efforts.

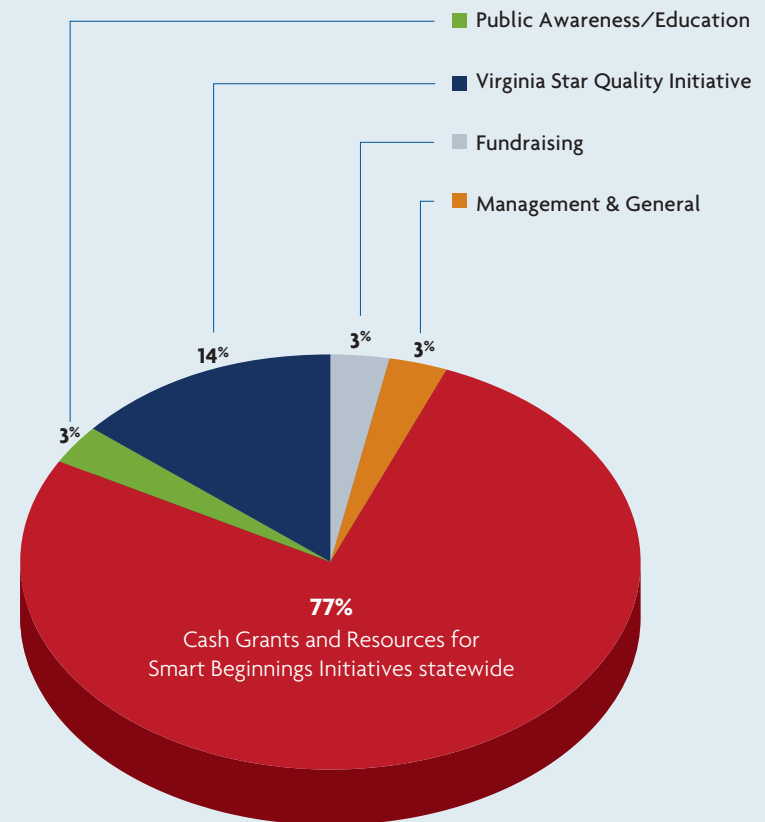
What difference does Smart Beginnings make for children, schools and communities?

A growing number of children are arriving at kindergarten healthy and ready to learn. Prepared students are on a path to third grade reading proficiency and school, workforce, and life success. Smart Beginnings communities track and document indicators of increased school readiness such as:

- Improved kindergarten literacy scores
- Reduced rates of need for reading intervention services (resulting in lowered costs for intervention)
- Reduced rates of children repeating early grades (resulting in lowered costs for grade retention)
- Improved standardized test scores in third grade

The Readiness in Virginia chart (page 8) and Smart Beginnings Snapshots provide specific details on community successes with improved school readiness.

PROGRAM EXPENSES

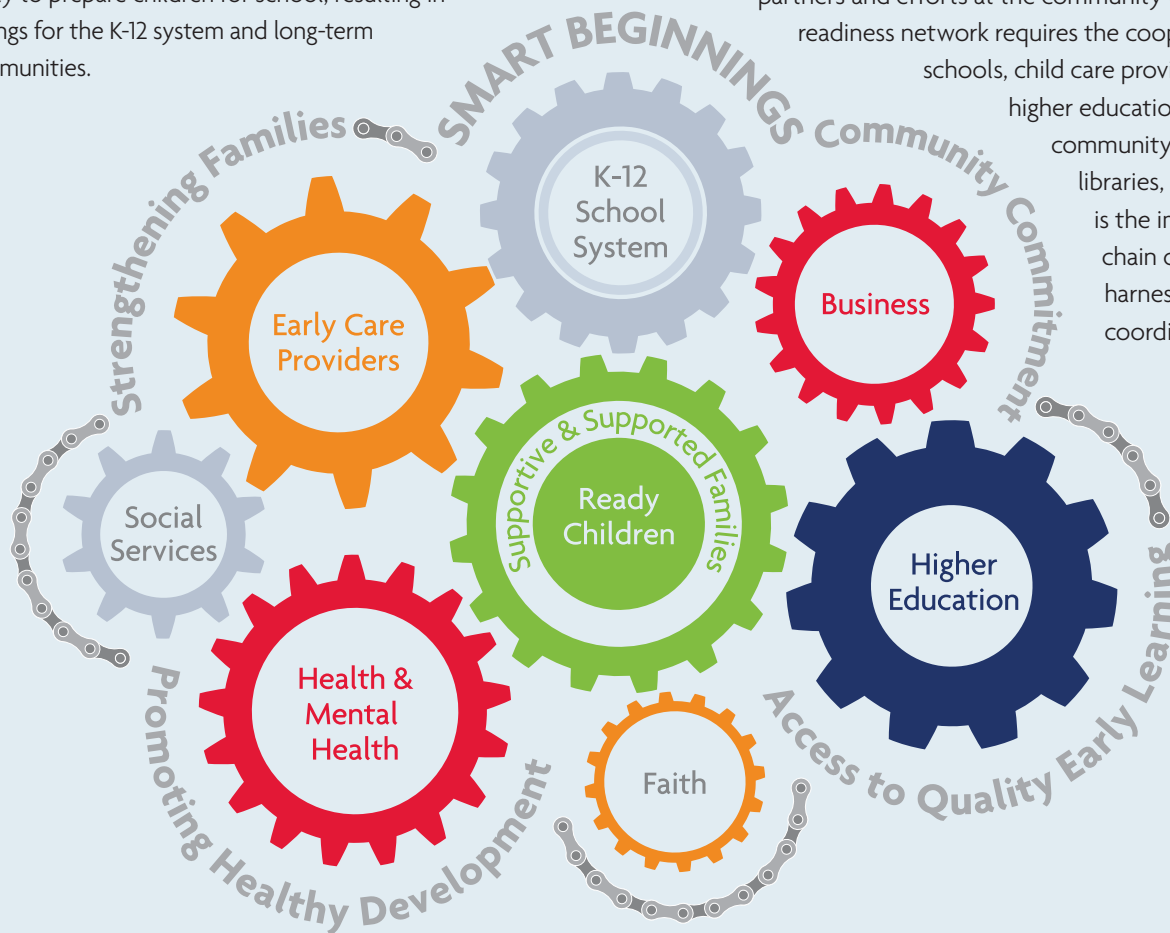


Smart Beginnings: Creating Community Commitment

SINCE 2006, VIRGINIA HAS INVESTED in a statewide local/regional network, Smart Beginnings, coordinated through a public-private partnership, the Virginia Early Childhood Foundation. The goal for Smart Beginnings initiatives is to create sustainable, collaborative systems in communities across Virginia that have the capacity to prepare children for school, resulting in both short-term savings for the K-12 system and long-term savings for their communities.

How Does Smart Beginnings Work?

Getting children ready for school may sound simple, but it actually requires a complex system of richly diverse partners and assets. School readiness is achieved (or not) as a result of the effective functioning of a diverse array of partners and efforts at the community level. A successful school readiness network requires the cooperation of parents and families, schools, child care providers, the faith community, higher education, business, and other community assets such as social services, libraries, and museums. Smart Beginnings is the important connector, like the chain of a mechanical device, harnessing the system and driving its coordinated functioning.



MILLIONS OF DOLLARS IN PUBLIC FUNDING FLOW TO COMMUNITIES through diverse, categorical blocks; the task of

coordinating most effective and efficient use of these resources falls to community leaders. By facilitating committed leadership, diverse investment, thoughtful planning and coordinated strategies, Smart Beginnings helps local communities deliver on creating conditions for optimal child development for their families and young children. Smart Beginnings communities build the structure, capacity, and will for a sustained, long-term effort to promote the school readiness of children, thereby laying the foundation for a strong workforce, healthy economy, and community prosperity. Communities with a coordinated and collaborative focus on school readiness strategies document K-12 system cost savings in their communities from reduced need for early reading intervention and early grade repetition.

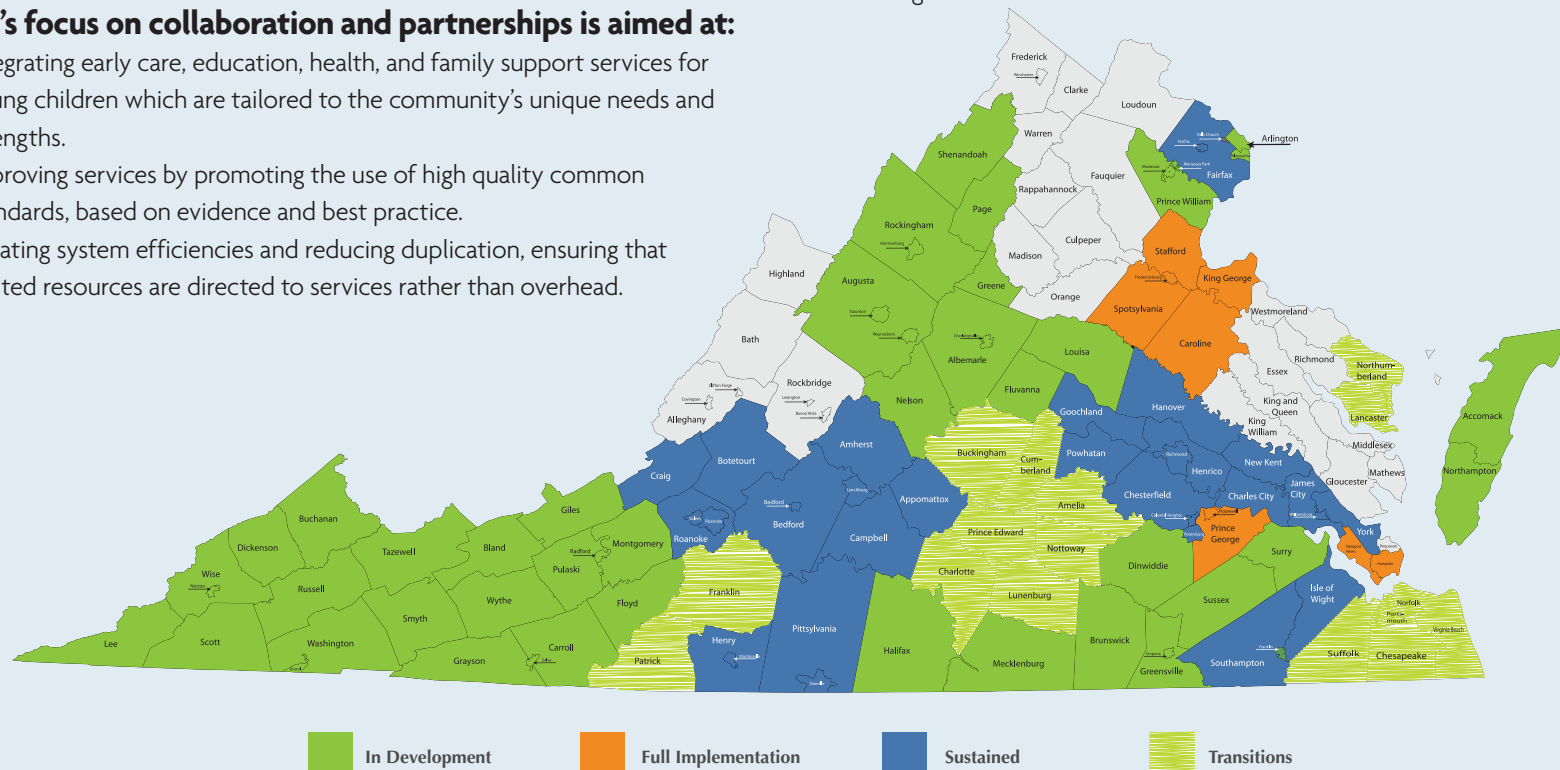
VECF’s focus on collaboration and partnerships is aimed at:

- Integrating early care, education, health, and family support services for young children which are tailored to the community’s unique needs and strengths.
- Improving services by promoting the use of high quality common standards, based on evidence and best practice.
- Creating system efficiencies and reducing duplication, ensuring that limited resources are directed to services rather than overhead.

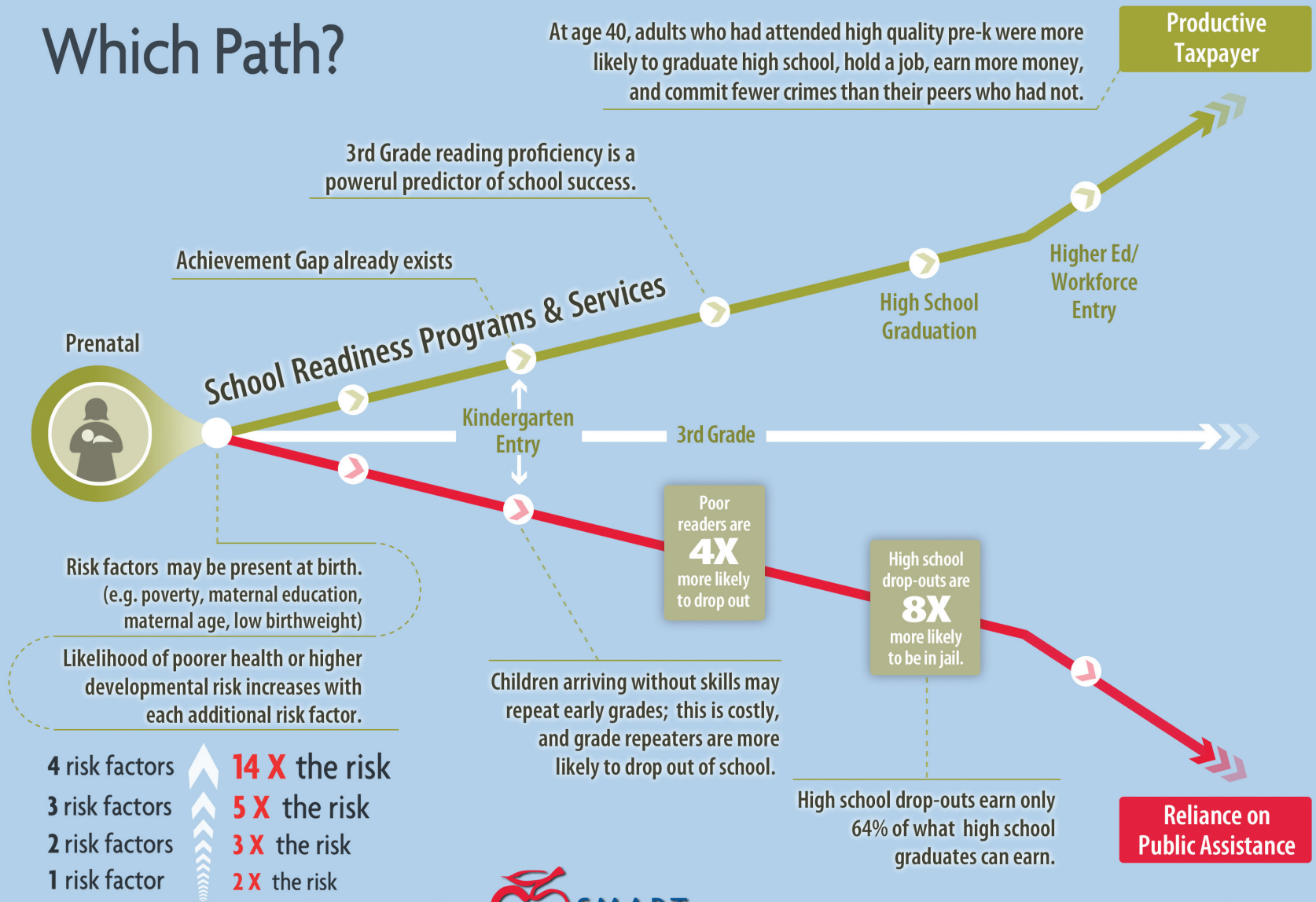
Sustainable Smart Beginnings initiatives are successful in four component areas:

- Strengthening Families
- Promoting Healthy Development
- Access to Quality Early Learning
- Creating Community Commitment

Nearly 100 counties and cities in the Commonwealth benefit from Smart Beginnings’ collaborative focus and accountability, driving improved school readiness and outcomes for young children in those communities. Like any other program, there are gaps in access and availability (there are 27 counties and cities that do not have Smart Beginnings). The following map shows Smart Beginnings coverage in Virginia, as well as the phase of development in each region.



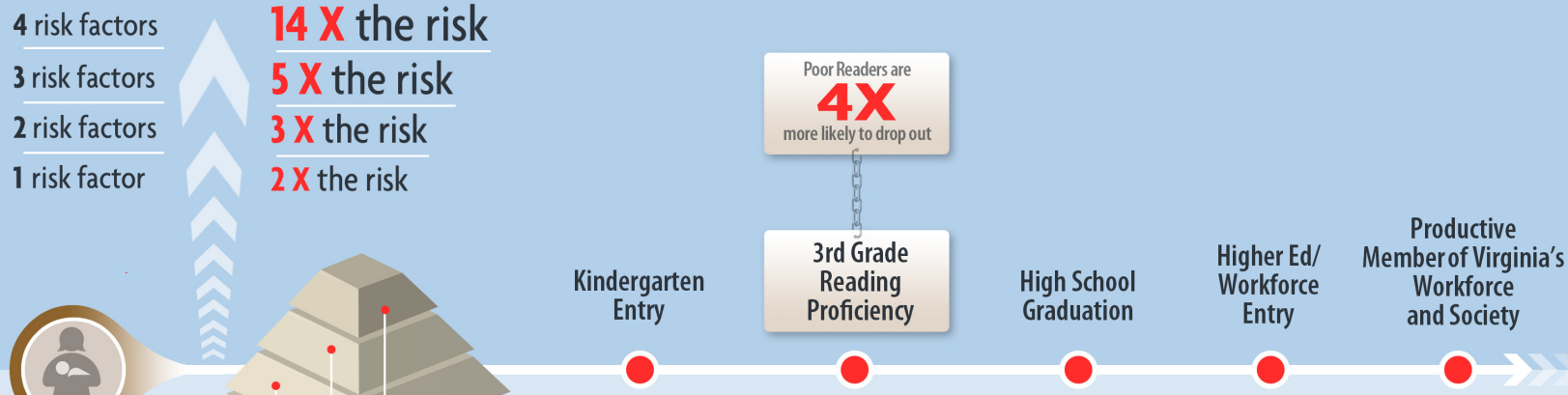
Which Path?



Risks and Results

Likelihood of poorer health or higher developmental risk increases with each additional risk factor.
(e.g., poverty, maternal education, marital status)

4 risk factors **14 X the risk**
 3 risk factors **5 X the risk**
 2 risk factors **3 X the risk**
 1 risk factor **2 X the risk**



- Prenatal Care
- Regular Preventive Healthcare
- Immunization
- Screening
- High Quality Early Learning Experiences
- Child Care Subsidies
- SNAP
- Head Start
- VPI
- Parts B & C
- Home Visiting
- Parent Education

Current Public System Collage of Programs and Services



Role of Smart Beginnings

- Network of cross-sector, cross-system services & providers
- Identify multiple-risk families early
- Gain efficiencies through integration of services
- Address quality and continuity of services
- Identify gaps/potholes— drive innovative solutions
- Measure performance & results

Private Partnerships



Communities Advancing School Readiness



Smart Beginnings: Readiness in Virginia

	Ready Communities + Ready Schools + Ready Families							= Ready Children		
	Partnership Initiated	Number of Jurisdictions	Leveraged Funds	Creating Community Commitment	Promoting Healthy Development	Strengthening Families	Ensuring Access to Quality Early Learning	Grade Promotion Rates Improved	Kindergarten Reading Readiness Improved	3rd Grade Reading Proficiencies Improved
SUSTAINABLE										
Fairfax	FY 2005	1	\$301,866	✓		✓	✓	↑	↑	↑
Historic Triangle	FY 2005	3	\$534,338	✓	✓	✓	✓	↑	↑	↑
Charlottesville Albemarle	FY 2007	2	\$236,768	✓	✓	✓	✓	→	↓	↑
Central Virginia	FY 2007	6	\$202,284	✓	✓	✓	✓	↑	↑	↑
Greater Richmond	FY 2007	10	\$536,699	✓	✓	✓	✓	↑	↑	↑
Greater Roanoke	FY 2007	6	\$286,657	✓	✓	✓	✓	↑	↑	↑
Martinsville Henry	FY 2007	2	\$287,358	✓	✓	✓	✓	→	↑	↑
Western Tidewater	FY 2007	3	\$212,800	✓	✓	✓	✓	↑	↑	↑
Danville Pittsylvania	FY 2009	2	\$661,947	✓		✓	✓	↑	↑	↑
FULL IMPLEMENTATION										
Hopewell Prince George	FY 2007	3	\$103,950	✓	✓	✓	✓	↓	↑	↑
Rappahannock Area	FY 2007	5	\$228,226	✓	✓		✓	↑	↑	↑
Virginia Peninsula	FY 2007	2	\$298,295	✓	✓	✓	✓	↑	↑	↑
IN DEVELOPMENT										
New River Valley	FY 2007	5	\$550,210	✓	✓	✓	✓	↑	↑	↑
Shenandoah Valley	FY 2007	7	\$53,801	✓	✓	✓	✓	↑	↑	↑
Appalachian Region	FY 2009	4	\$90,000	✓	✓		✓			
Crater	FY 2009	5	\$28,750	✓	✓	✓	✓			
Southside	FY 2010	3	\$8,446	✓	✓		✓			
Twin County	FY 2010	3	\$30,172	✓	✓		✓			
Virginia Highlands	FY 2010	4	\$91,276	✓	✓	✓	✓			
Wythe Bland	FY 2010	2	\$53,822	✓	✓	✓	✓			
Greater Prince William	FY 2012	3	\$36,030	✓	✓	✓	✓			
TOTAL		81	\$4,833,695.00							

Columns are shaded for initiatives that are in early stages of development; child outcome data from these initiatives' efforts are not yet available.

Smart Beginnings: Readiness in Virginia: **Key**

Partnership Initiated - indicates the fiscal year that the first Virginia Early Childhood Foundation or Virginia Department of Social Services Investing in Virginia's Children grant was awarded.

of Jurisdictions - indicates the number of counties and cities covered by the Smart Beginnings initiative.

Leveraged Funds - indicates cash and in-kind resources raised to meet VECF match requirements, as well as additional funding and resources committed to support the community's collaborative effort.

Creating Community Commitment - indicates implementation of strategies to build strong, diverse leadership; a sustainable, diverse base of funding investment; a cohesive strategic plan; and a solid accountability system.

Promoting Healthy Development - indicates a systems approach to health insurance coverage, maternal and child nutrition, early childhood immunizations, developmental screening and early identification and intervention services.

Strengthening Families - indicates systemic strategies for parent education and engagement, a network of home visiting services, and access to child care subsidy for low-income working parents.

Access to Quality Early Learning - indicates coordination of quality improvement in a diverse array of early learning options for families such as center, home, and faith-based settings, Head Start, publicly funded preschool, and preschool special education services.



Grade Promotion Rates Improved - indicates a higher percentage of children promoted from kindergarten to third grade on-time in SY2012-13 compared to the coalition's first VECF grant year (when available). More children promoted on-time means decreased costs for grade repetition.

Kindergarten Reading Readiness Improved - indicates a higher percentage of children meeting the PALS-K benchmark in fall of SY2012-13 compared to the coalition's first VECF grant year (when available). More children meeting the benchmark means decreased costs for reading intervention. *Note: Fairfax uses DRA2-Word Analysis in lieu of the PALS-K.*

Increased 3rd Grade Reading Proficiencies - indicates a higher percentage of children passing the 3rd grade Reading Standards of Learning in SY2012-13 compared to the K-cohort of the coalition's first VECF grant year (when available).

STATEMENT OF FINANCIAL POSITION JUNE 30, 2013

ASSETS

Current Assets

Cash and Cash equivalents	\$1,269,533
Accounts Receivable	
Grants Receivable net	1,067,843
Prepaid Expenses	48,709
Grantee Advances	19,626
Other Assets	3,834

Total current assets **\$2,409,545**

Long-Term Grants Receivable	497,180
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Property and Equipment

Furniture, and Fixtures	18,135
Accumulated depreciation	(16,359)

Total assets **\$2,908,501**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$10,214
Grants Payable	117,989
Accrued Expenses	33,816

Total current liabilities **\$162,019**

NET ASSETS

Unrestricted	\$152,167
Temporarily restricted	2,594,315

Total net assets **\$2,746,482**

**Total liabilities &
Net Assets** **\$2,908,501**

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Public Support and Revenue			
Public Support			
Contributions			
Individual & Board Contributions	\$ 81,671	17,250	98,921
Corporations	73,600	205,800	279,400
Foundations	-	75,000	75,000
Total Public Support	\$155,271	\$298,050	\$453,321
Revenue			
Government Grants	-	2,070,608	2,070,608
Interest Revenue	1,112	4,216	5,328
Total Revenue	\$1,112	\$2,074,824	\$2,075,936
Net Assets Released from Restrictions	2,896,665	(2,896,665)	-
Total Support & Revenue	\$3,053,048	(\$523,791)	\$2,529,257
Expenses			
Program Services	2,723,829	-	2,723,829
Fund Raising	95,541	-	95,541
Lobbying	8,447	-	8,447
Management & General	73,064	-	73,064
Total Expenses	\$2,900,881	-	\$2,900,881
Change in Net Assets	152,167	(523,791)	(371,624)
Net Assets, Beginning	-	3,118,106	3,118,106
Net Assets, Ending	\$152,167	\$2,594,315	\$2,746,482

COMMUNITY INVESTMENTS

PUBLIC SUPPORT

Virginia Department of Social Services
Virginia General Assembly
Virginia Tobacco Indemnification &
Revitalization Commission

CORPORATE & FOUNDATION SUPPORT

Capital One Services, LLC
Danville Regional Foundation
Dominion Resources
Ferguson Enterprises, Inc.
Mary Morton Parsons Foundation
MeadWestvaco
Norfolk Southern Foundation
Robins Foundation
SunTrust Mid-Atlantic Foundation
Washington Gas
Wells Fargo Foundation

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or made an error of any kind,
please accept our apologies and
call us at (804) 358-8323.

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Richmond, Virginia

Dr. Novella J. Ruffin*
Asst. Professor & Child Development Specialist
Virginia Cooperative Extension
Virginia State University
Petersburg, Virginia

**Retired or term of service ended in 2013*

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2013 Annual Report

VIRGINIA EARLY CHILDHOOD FOUNDATION

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Virginia Early Childhood Foundation

Financial Statements

June 30, 2013

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Early Childhood Foundation
Richmond, Virginia

We have audited the accompanying financial statements of Virginia Early Childhood Foundation (VECF) which comprise the statement of financial positions as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

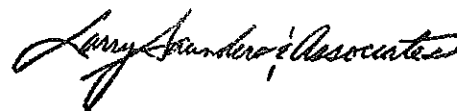
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VECF as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Richmond, Virginia
September 16, 2013

Virginia Early Childhood Foundation

Statement of Financial Position

June 30,	2013
Assets	
Current assets	
Cash and cash equivalents (note 1 and 11)	\$ 1,269,533
Accounts Receivable (note 7)	
Grants Receivable net	1,067,843
Prepaid Expenses	48,709
Grantee Advances	19,626
Other Assets	3,834
Total current assets	<u>2,409,545</u>
Long-Term Grants Receivable (note 7)	497,180
Property and equipment	
Furniture and fixtures	18,135
Accumulated depreciation	(16,359)
Total property and equipment	<u>1,776</u>
Total assets	<u>\$ 2,908,501</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 10,214
Grants Payable	117,989
Accrued Expenses	33,816
Total current liabilities	<u>162,019</u>
Net assets	
Unrestricted	152,167
Temporarily restricted (note 12)	2,594,315
Total net assets	<u>2,746,482</u>
Total liabilities and net assets	<u>\$ 2,908,501</u>

Virginia Early Childhood Foundation

Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public Support			
Contributions (note 6 & 17)			
Individual and Board Contributions	\$ 81,671	\$ 17,250	\$ 98,921
Corporations	73,600	205,800	279,400
Foundations	-	75,000	75,000
Total Public Support	155,271	298,050	453,321
Revenue			
Government Grants	-	2,070,608	2,070,608
Interest Revenue	1,112	4,216	5,328
Total Revenue	1,112	2,074,824	2,075,936
Net assets released from restrictions (note 13)	2,896,665	(2,896,665)	-
Total Support and Revenue	3,053,048	(523,791)	2,529,257
Expenses			
Program Services	2,723,829	-	2,723,829
Fund Raising	95,541	-	95,541
Lobbying	8,447	-	8,447
Management and General	73,064	-	73,064
Total expenses	2,900,881	-	2,900,881
Change in net assets	152,167	(523,791)	(371,624)
Net Assets, Beginning	-	3,118,106	3,118,106
Net Assets, Ending (note 12)	\$ 152,167	\$ 2,594,315	\$ 2,746,482

Virginia Early Childhood Foundation

Schedule of Functional Expenses

Year Ended June 30, 2013

	Programs	Fund Raising	Lobbying	Management and General	Total
Salaries (note 4)	\$ 523,363	\$ 61,239	\$ -	\$ 50,368	\$ 634,970
Benefits (note 5)	134,659	15,006	-	11,416	161,081
Total staff compensation	658,022	76,245	-	61,784	796,051
Professional Services	299,203	8,075	8,447	5,519	321,244
Supplies	4,853	281	-	131	5,265
Telecommunications	9,892	1,402	-	526	11,820
Postage	2,187	253	-	171	2,611
Leases (note 3)	37,047	4,464	-	3,124	44,635
Equipment Repair and Maintenance	8,428	1,010	-	707	10,145
Printing and Publications	831	-	-	21	852
Travel	19,070	364	-	208	19,642
Meetings and Events	38,675	390	-	262	39,327
Information/Membership	4,229	2,464	-	195	6,888
Professional Development	-	-	-	-	-
Computer Equipment	1,291	11	-	10	1,312
Insurance	3,560	430	-	300	4,290
Grants to Others	1,633,334	-	-	-	1,633,334
Publicity/Advertising	998	7	-	5	1,010
Interest Expense	-	-	-	-	-
Gifts	1,007	-	-	-	1,007
Total expenses before depreciation	2,722,627	95,396	8,447	72,963	2,899,433
Depreciation	1,202	145	-	101	1,448
Total expenses	\$ 2,723,829	95,541	8,447	73,064	\$ 2,900,881

Virginia Early Childhood Foundation

Statement of Cash Flows

Year Ended June 30,	2013
Cash flows from operating activities	
Change in net assets	\$ (371,624)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	1,448
(Increase) decrease in grants receivable	750,096
(Increase) decrease in grantee advances	3,661
(Increase) decrease in prepaid expenses	(37,572)
Increase (decrease) in accounts payable	(26,001)
Increase (decrease) in grants payable	(122,441)
Increase (decrease) in accrued expenses	(14,588)
Net Cash Provided (Used) by Operating Activities	<u>182,979</u>
Cash flows from investing activities	
Purchase of investments	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>
Net change in cash and cash equivalents	182,979
Cash and cash equivalents - beginning of year	<u>1,086,554</u>
Cash and cash equivalents - end of year	<u>\$ 1,269,533</u>

**VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

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3. Lease Commitments

VECF entered into a sixty-three month lease as of September 2012 for a copier. Total payments made during the year under copier lease agreement was \$4,110.

VECF entered into a five-year lease as of June 2010 for office space located in Richmond, Virginia. Total payments made during the year for office space were \$44,635.

Future payments under these lease agreements are as follows.

<u>Year</u>	<u>Amount</u>
2014	\$ 53,865
2015	55,365
2016	3,839
2017	3,839
2018	1,600
	<u>\$ 118,508</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 contributions up to the maximum contribution permitted by Internal Revenue Code. VECF employees also participate in a simplified employee pension plan in which VECF contributes 6% of the employee's total wages. Total retirement expense for the year was \$35,239.

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. Contributions Receivable

At June 30, 2013, VECF has recorded unconditional contributions receivable related to the operations of the VECF. These contributions are to be received subsequent to June 30, 2013, as follows:

Receivable less than a year	\$1,067,843
Receivable greater than a year	\$ 497,180

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8. 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.

9. Financial Statements

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205 Presentation of Financial Statements. 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.

Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets that are donor-restricted to investment in perpetuity, the revenue from which is expendable to support the various programs sponsored by the VECF, subject to VECF's policies.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of VECF and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed restrictions. Portions of unrestricted net assets may be limited for specific purposes by action of VECF's Board of Directors. The Board can change such designations by further vote.

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.

10. FASB Accounting Standards Codification 740 Income Taxes

VECF adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification 740 Income Taxes. Under FASB ASC 740, liabilities are recorded for unrecognized tax benefits, and any related interest and penalties, when it is more likely than not a tax position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no material uncertain tax positions or related interest and penalties at September 16, 2013, and accordingly no liability is accrued.

11. Cash and Investments

The Federal Deposit Insurance Corporation (FDIC) insures the accounts of each financial institution customer up to \$250,000 per financial institution. VECF has \$474,747 uninsured in its accounts with Wells Fargo.

12. Temporarily Restricted Net Assets

The temporarily restricted net assets consist of funds received from the Virginia General Assembly and other public contributions for the following future use:

Early Childhood Program and Infrastructure Development	\$ 2,594,315
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**VIRGINIA EARLY CHILDHOOD FOUNDATION
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JUNE 30, 2013**

13. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

Early Childhood Programs, Initiatives and Technical Assistance	\$ 2,896,665
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14. Subsequent Event

In preparing these financial statements, VECF has evaluated events and transactions for potential recognition or disclosure through September 16, 2013, the date the financial statements were available to be issued.

In the subsequent year, VECF received \$1,250,000 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.

15. Grant and Contract Support

In accordance with the terms of its contract, VECF may use unexpended funds in future periods to the extent that expenses incurred are in compliance with the specified terms of the contract. Grantors may, at their discretion, request reimbursement or return of funds, or both, as a result of non-compliance by VECF with the terms of the contract.

16. Concentrations

Fifty-five percent of VECF funding comes from the Virginia General Assembly.

17. Related Party Transactions

Various Board Members, both individual and through a family foundation, donated \$97,420 to VECF.