

A Portrait of School **READINESS**



**SMART
BEGINNINGS**

Virginia Early Childhood Foundation



VIRGINIA EARLY CHILDHOOD FOUNDATION

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What does it take, Virginia?

What does it take to build healthy, educated individuals who perform well throughout school and become productive members of society and the workforce?

It takes a Smart Beginning.





I AM READY!

“ My name is Maria and I am 5 years old. I started Kindergarten last month and I'm in Mrs. Porter's class. She says that I am ready for a great school year. ”

Family



“**I am Sonia, Maria’s mother.** I am so proud of Maria, and I’ve worked hard to make sure that she was ready to go to Kindergarten and do well in school. It is not always easy with my work schedule, but I try to provide nutritious meals and healthy routines for Maria. I’ve learned how important it is to read with Maria every day before she goes to bed, and I made sure that I chose a star-rated center when she was in child care while I worked. Most of all, I’ve made it a priority to spend time with Maria, talking, singing and playing with her, and showing her how to make good decisions.”



Child Care Provider



“ I enjoyed having Maria in my class last year, and I was proud to work as a partner with her family, helping Maria learn and grow every day while her mother was working. I participate in the Star Quality initiative, and my mentor has helped me with organizing my center well for effective learning. ”

“ It’s my job to help parents make sure that young children – like Maria – have the chance to grow in healthy ways. Starting before birth with prenatal care, regular attention to the health care needs of families and young children pays off in strong health outcomes all through life. Families have a big responsibility to ensure healthy eating habits and physical activity, as well as optimal dental, physical, and mental health services. I’m glad to be a partner with families like Maria’s in this significant role. ”

Pediatrician



Smart Beginnings Coordinator



“ **I am the Smart Beginnings coordinator in Maria’s community.** It’s my job to work with a coordinated team of leaders, providers and families in this community, all focused on making sure that every child – like Maria – has the chance for a healthy start and to be well prepared for school. Our community is ready to ensure that she and her family have access to regular, preventive health care; a quality rated child care center or preschool; and a smooth transition into her neighborhood elementary school. Some families in our community also benefit from having access to a home visitor, to services when a child has a developmental disability or delay, and to public preschool programs like the Virginia Preschool Initiative. If we all work together, committed to Smart Beginnings, we can make sure that Maria – and many other children in our community - are on a good solid path to success in school, the workforce, and life. ”

School Superintendent



“ **When children come to Kindergarten in good health and well prepared to learn,** there is a good chance that they will be reading proficiently by third grade, transition well from elementary to middle to high school without need to repeat a grade, and will graduate from high school. Our school system benefits from reducing remediation and grade repetition – interventions that are costly on several levels. The best part of my job is supporting students like Maria to work well with peers; grow in confidence, persistence and motivation; and develop the competencies and skills that will help them thrive in higher education and the workplace. ”





Business Executive and Employer



“ **Virginia’s workforce pipeline begins with young children like Maria.** She’s had the chance to develop her reading, math and social skills; interact with her peers; and problem-solve – the seeds of the skills we look for in the workplace. Setting children on a positive trajectory right out of the gate supports their progress from home to school to higher education or job training and to Virginia’s workforce. School readiness leads to a strong workforce and vital economy for Virginia’s communities. ”

VECF and Smart Beginnings: Ensuring a Ready Commonwealth



SYSTEMS BUILDING:

State-to-local Infrastructure of state's school readiness efforts.

What does it take, Virginia? It takes a Smart Beginning.

- **Smart Beginnings:** VECF supports a statewide network of Smart Beginnings collaborative partnerships that convene community leaders to build the capacity of local communities to create optimal environments for children's growth and development.
- **Smart Beginnings Leader Institute:** Aimed at strengthening the engagement and skills of local leaders, the Leader Institute convened community leaders from across the state to build local communities' leadership and capacity to support school readiness for young children.
- **Access to High Quality Preschool:** VECF works with Smart Beginnings partners across the state to understand barriers and promote opportunities for increasing access to high quality preschool.

- **School Readiness Report Card & Interactive Tool:** VECF published the School Readiness Report Card examining the capacity and effectiveness of the state's system to support the school readiness of young children, providing trend data on indicators of risk and educational achievement by locality. A companion interactive mapping tool provides at-a-glance comparisons across localities in Virginia.
- **VECF Advisors Council:** Comprised of policy, research, and evaluation experts who advise VECF's President and board, the Council guides the direction of research and evaluation efforts of VECF, as well as the use of the findings to discern policy implications. VECF's Cheung Fellow, Dr. Deborah Jonas, provides in-house research and evaluation expertise.
- **4-VA Research Grant:** VECF's Cheung Fellow is leading a team of researchers from UVA, Virginia Tech, JMU and GMU to study the impact of participation in public preschool in Virginia. The team is tracking a cohort of participants to middle school, to discern characteristics and sustained gains beyond third grade; report expected by the end of the year.
- **VLDS:** VECF has convened conversations among the agency partners of the Virginia Longitudinal Data System and VDSS and VDH to facilitate the addition of important data sets to the VLDS. Work is underway to access VDSS data sets related to child care subsidy, foster care, SNAP, and TANF by fall of 2014. This achievement will make it possible for agencies and researchers to gain a clearer sense of the efficacy of publicly funded interventions on the long term health and achievement of Virginians, beginning from the earliest years.
- **Kindergarten Readiness Assessment Pilot:** VECF conducted a Kindergarten readiness assessment pilot in the 2013-14 school year. The pilot provided evidence that teachers can successfully master authentic assessment, and gave insights that many of Virginia's kindergarten classrooms are not structured to support developmentally appropriate instructional approaches. The pilot provided evidence that authentic, observation-based assessment, while requiring significant professional development for teachers to master, offers the best opportunity to tailor instruction to meet the multi-dimensional learning needs of young children and to measure progress in students' growth and development over time.



RESEARCH & DATA:
Driving evidence and data based decision making.

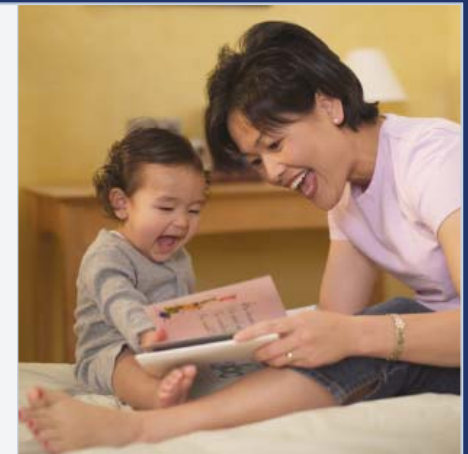
VECF and Smart Beginnings: Our Value to the Commonwealth



FOCUS ON QUALITY:
The research-proven driver
of school readiness.

- **QRIS:** The Virginia Star Quality Initiative is jointly administered with the VDSS to publish quality ratings of early learning programs in all types of settings for parents. The initiative provides support so that programs can voluntarily improve the quality of the services they provide.
- **Teacher Quality:** VECF promotes strategies to support teacher quality in Virginia, including partnering with UVA to provide high quality online coursework on effective teacher-child interactions free of charge to teachers participating in the Star Quality Initiative.

- **Diversified Funding for School Readiness:** VECF works to identify and secure diverse funding for school readiness efforts, including providing technical assistance and leadership to secure federal grants. VECF has earned funding for Virginia from Nemours/CDC for an early childhood obesity prevention initiative. VECF convened a partnership with VDSS, VDH, CCA-VA, and Virginia Foundation for Healthy Youth to earn funding for Virginia from Nemours/CDC for an early childhood obesity prevention initiative.
- **VA Chamber of Commerce/Blueprint Virginia:** Early childhood education was highlighted as a critical investment priority to help ensure a competitive workforce for Virginia's future in the Chamber's Blueprint Virginia. VECF and its Smart Beginnings partners, as business-led, public/private partnerships, are working side-by-side with the Virginia Chamber of Commerce and local Chambers across the state to ensure that children start school ready to learn and on track to workforce success.
- **Smart Beginnings Starts with Families:** During the period between Mother's Day and Father's Day, VECF partnered with the Library of Virginia to recognize the role that parents and families serve in their young children's lives.



PARTNERSHIPS:
Strategic Collaboration &
Leveraging of Resources.

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
SUSTAINABLE									
Fairfax	FY 2005	1	\$536,492	✓	✓	✓	✓	↑	↑
Historic Triangle	FY 2005	3	\$854,795	✓	✓	✓	✓	↑	↑
Central Virginia	FY 2007	5	\$216,606	✓	✓	✓	✓	↑	↑
Greater Richmond	FY 2007	10	\$514,245	✓	✓	✓	✓	↑	↑
Greater Roanoke	FY 2007	6	\$320,197	✓	✓	✓	✓	↑	↓
Martinsville Henry	FY 2007	2	\$293,732	✓	✓	✓	✓	↑	→
Western Tidewater	FY 2007	3	\$201,200	✓	✓	✓	✓	↑	↓
Danville Pittsylvania	FY 2009	2	\$783,478	✓	✓	✓	✓	→	↑
FULL IMPLEMENTATION									
Hopewell Prince George	FY 2007	2	\$131,221	✓	✓	✓	✓	→	↓
Rappahannock Area	FY 2007	5	\$372,016	✓	✓	✓	✓	↑	↑
Virginia Peninsula	FY 2007	2	\$553,697	✓	✓	✓	✓	↑	↑
IN DEVELOPMENT									
New River Valley	FY 2007	5	\$603,088	✓	✓	✓	✓	↑	↓
Shenandoah Valley	FY 2007	7	\$143,242	✓	✓	✓	✓	↑	↑
Crater	FY 2009	5	\$80,983	✓	✓	✓	✓		
Southside	FY 2010	3	\$10,324			✓	✓		
Greater Prince William	FY 2012	3	\$72,285	✓	✓	✓	✓		
Thomas Jefferson Area*	FY 2014	6	\$315,301	✓	✓	✓	✓		
Southwest Virginia Region**	FY 2014		\$158,866	✓			✓		
Appalachian Region	FY 2009	5	\$80,593	✓	✓	✓	✓		
Twin County	FY 2010	3	\$42,754	✓	✓	✓	✓		
Virginia Highlands	FY 2010	5	\$70,736	✓	✓	✓	✓		
Wythe Bland	FY 2010	3	\$56,468	✓	✓	✓	✓		
TOTALS		86	\$6,412,319.00						

*Charlottesville Albemarle merged with Fluvanna Louisa and expanded to Nelson and Greene Counties

** A regional system of 4 initiatives (Appalachian, Twin County, Virginia Highlands and Wythe Bland) covering 16 jurisdictions.

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 (SB) 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 SY2013-14 compared to the SB'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 SY2013-14 compared to the SB'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.*



Virginia Early Childhood Foundation: Statement of Financial Position

STATEMENT OF FINANCIAL POSITION JUNE 30, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	\$1,524,201
Accounts Receivable	
Grants Receivable Net	847,322
Prepaid Expenses	10,718
Other Assets	3,834
Total Current Assets	\$2,386,075

Property and Equipment

Furniture and Fixtures	18,135
Accumulated Depreciation	(17,471)
	664

Total Assets **\$2,386,739**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$28,474
Grants Payable	317,810
Accrued Expenses	39,005
Total Current Liabilities	\$385,289

NET ASSETS

Unrestricted	\$269,173
Temporarily restricted	1,732,277
Total Net Assets	\$2,001,450

Total Liabilities & Net Assets **\$2,386,739**

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Public Support and Revenue			
Public Support			
Contributions			
Individual & Board Contributions	\$ 78,685	15,000	93,685
Corporations	35,000	255,000	290,000
Foundations & Organizations	2,493	102,846	105,339
Total Public Support	\$116,178	\$372,846	\$489,024
Revenue			
Government Grants	\$ -	1,946,394	1,946,394
Interest Revenue	828	4,344	5,172
Total Revenue	\$828	\$1,950,738	\$1,951,566
Net Assets Released from Restrictions	\$ 3,185,622	(3,185,622)	-
Total Support & Revenue	\$3,302,628	(862,038)	\$2,440,590
Expenses			
Program Services	\$ 3,013,801	-	3,013,801
Fund Raising	90,646	-	90,646
Lobbying	3,268	-	3,268
Management & General	77,907	-	77,907
Total Expenses	\$3,185,622	-	\$3,185,622
Change in Net Assets	\$117,006	(862,038)	(745,032)
Net Assets, Beginning	\$152,167	2,594,315	2,746,482
Net Assets, Ending	\$269,173	1,732,277	2,001,450

2014: Donors



PUBLIC SUPPORT

Nemours, National Office of Policy & Prevention via a cooperative agreement from The Centers for Disease Control and Prevention
 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.
 MeadWestvaco
 NiSource Charitable Foundation
 Norfolk Southern Foundation
 Robins Foundation
 Virginia Business Publications, LLC
 Washington Gas
 Wells Fargo Foundation

BOARD AND INDIVIDUAL SUPPORT

Anonymous
 Peter A. Blake
 Mark and Katherine E. Busser
 Adrian P. Chapman
 Thomas and Nancy J. Chewing Fund of The Community Foundation Serving Richmond and Central Virginia

David Cowles
 Mr. and Mrs. Ben J. Davenport, Jr.
 Robert H. Dugger, Ph.D.
 Darla Edwards
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 William R. Ermatinger
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 Beth Rhinehart
 Dr. Gary L. Rhodes
 Gale and Bill Roberts
 Dr. Pamela J. Royal & The Honorable C.N. Jenkins
 Katherine Schutt
 Susan Bailey & Sidney Buford Scott
 Endowment Trust
 Mr. and Mrs. James E. Ukrop
 John Weinberg

If we have overlooked your name or made an error of any kind please accept our apologies and call us at (804) 358-8323.

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?

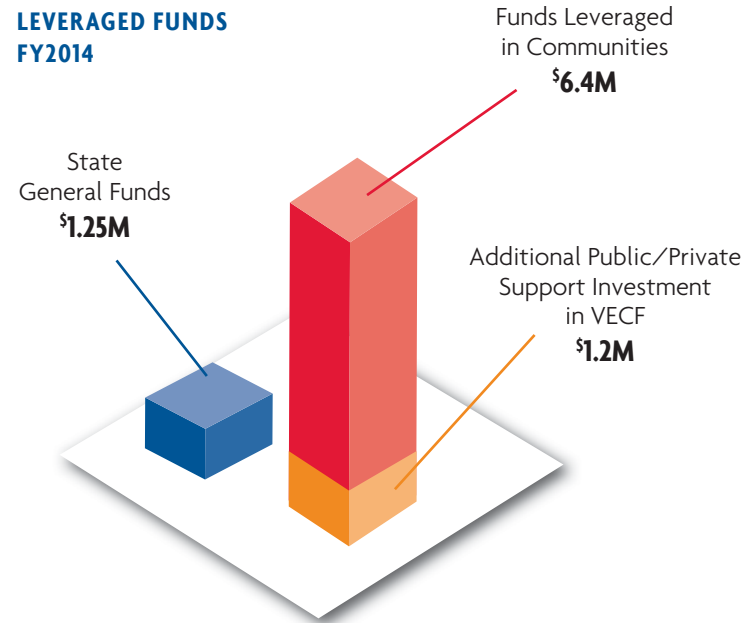
School readiness produces economic and social benefits including a productive workforce for Virginia. To learn more, see [Early Childhood Development and Returns on Investment](#).

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.

How has VECF demonstrated stewardship of its funding?

- 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 \$6 for every \$1 of state funding
- \$7.6 million were attracted by the \$1.25 million appropriation from state general funds.
- Since FY07, Virginia has invested more than \$11 million in Smart Beginnings. VECF and its partners have leveraged nearly \$60 million in additional funding for school readiness efforts in the Commonwealth.



“ I'M READY! ”



October 1, 2014



Fellow Virginians,

I am proud to serve as chairman of the Virginia Early Childhood Foundation. Since 2006, Virginia has invested in the Foundation's flagship effort - Smart Beginnings. Our goal is to create and sustain community commitment for preparing children for school, resulting in both short-term savings for K-12 schools and long-term savings for communities.

Getting children ready for school may sound simple, but it requires a complex system of many moving parts. School readiness involves partners including parents and families, child care and health providers, schools, the faith community, higher education, business, and other community assets such as libraries and social services. Smart Beginnings serves as the catalytic connector, harnessing the system and driving its coordinated functioning.

Smart Beginnings helps local communities deliver on creating conditions for optimal child development for their families and young children, laying the foundation for school success, a strong workforce, and prosperous communities across this great Commonwealth.

There is no more important and long-lasting investment that we can make than in Smart Beginnings for our youngest citizens.

Sincerely,

Ben Davenport

VECF Officers

Ben J. Davenport, Jr. - **Chairman**
First Piedmont Corporation
Katherine E. Busser - **Vice Chairman**
Virginia Children's Hospital Alliance
Reginald N. Jones - **Secretary**
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Adrian P. Chapman - **Treasurer**
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State Council of Higher Education for VA
Zelda Boyd, ex officio
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President
Kathy Glazer

Virginia Early Childhood Foundation

Financial Statements

June 30, 2014

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Virginia Early Childhood Foundation

We have audited the accompanying financial statements of Virginia Early Childhood Foundation (VECF), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expense 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

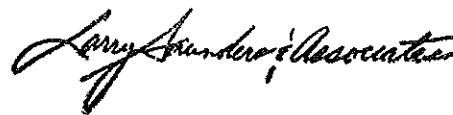
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VECF as of June 30, 2014, 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 22, 2014

Virginia Early Childhood Foundation

Statement of Financial Position

June 30,	2014
Assets	
Current assets	
Cash and cash equivalents (note 1e and 11)	\$ 1,524,201
Accounts Receivable (note 7)	
Grants Receivable net	847,322
Prepaid Expenses	10,718
Other Assets	3,834
Total current assets	<u>2,386,075</u>
Property and equipment	
Furniture and fixtures	18,135
Accumulated depreciation	(17,471)
Total property and equipment	<u>664</u>
Total assets	<u>\$ 2,386,739</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 28,474
Grants Payable	317,810
Accrued Expenses	39,005
Total current liabilities	<u>385,289</u>
Net assets	
Unrestricted	269,173
Temporarily restricted (note 12)	1,732,277
Total net assets	<u>2,001,450</u>
Total liabilities and net assets	<u>\$ 2,386,739</u>

Virginia Early Childhood Foundation

Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public Support			
Contributions (note 6 & 17)			
Individual and Board Contributions	\$ 78,685	\$ 15,000	\$ 93,685
Corporations	35,000	255,000	290,000
Foundations and Organizations	2,493	102,846	105,339
Total Public Support	116,178	372,846	489,024
Revenue			
Government Grants	-	1,946,394	1,946,394
Interest Revenue	828	4,344	5,172
Total Revenue	828	1,950,738	1,951,566
Net assets released from restrictions (note 13)	3,185,622	(3,185,622)	-
Total Support and Revenue	3,302,628	(862,038)	2,440,590
Expenses			
Program Services	3,013,801	-	3,013,801
Fund Raising	90,646	-	90,646
Lobbying	3,268	-	3,268
Management and General	77,907	-	77,907
Total expenses	3,185,622	-	3,185,622
Change in net assets	117,006	(862,038)	(745,032)
Net Assets, Beginning	152,167	2,594,315	2,746,482
Net Assets, Ending (note 12)	\$ 269,173	\$ 1,732,277	\$ 2,001,450

Virginia Early Childhood Foundation

Schedule of Functional Expenses

Year Ended June 30, 2014

	Programs	Fund Raising	Lobbying	Management and General	Total
Salaries (note 4)	\$ 486,733	\$ 46,612	\$ -	\$ 50,193	\$ 583,538
Benefits (note 5)	138,242	13,232	-	14,534	166,008
Total staff compensation	624,975	59,844	-	64,727	749,546
Professional Services	477,703	17,454	3,268	6,625	505,050
Supplies	3,424	301	-	193	3,918
Telecommunications	6,988	663	-	417	8,068
Postage	4,130	201	-	138	4,469
Leases (note 3)	39,617	6,519	-	4,012	50,148
Equipment Repair and Maintenance	7,272	1,260	-	775	9,307
Printing and Publications	2,899	73	-	30	3,002
Travel	19,545	227	-	142	19,914
Meetings and Events	100,126	597	-	205	100,928
Information/Membership	9,671	2,857	-	242	12,770
Professional Development	4,630	-	-	-	4,630
Computer Equipment	1,047	-	-	-	1,047
Insurance	3,077	506	-	312	3,895
Grants to Others	1,707,418	-	-	-	1,707,418
Gifts	400	-	-	-	400
Total expenses before depreciation	3,012,922	90,502	3,268	77,818	3,184,510
Depreciation	879	144	-	89	1,112
Total expenses	\$ 3,013,801	\$ 90,646	\$ 3,268	\$ 77,907	\$ 3,185,622

Virginia Early Childhood Foundation

Statement of Cash Flows

Year Ended June 30,	2014
Cash flows from operating activities	
Change in net assets	\$ (745,032)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	1,112
(Increase) decrease in grants receivable	717,701
(Increase) decrease in grantee advances	19,626
(Increase) decrease in prepaid expenses	37,992
Increase (decrease) in accounts payable	18,260
Increase (decrease) in grants payable	199,821
Increase (decrease) in accrued expenses	5,188
Net Cash Provided (Used) by Operating Activities	<u>254,668</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	254,668
Cash and cash equivalents - beginning of year	<u>1,269,533</u>
Cash and cash equivalents - end of year	<u>\$ 1,524,201</u>

**VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 forty-eight month lease as of August 2012 for a copier. Total payments made during the year under copier lease agreement was \$5,114.

VECF entered into a five-year lease as of June 2010 for office space located in Richmond, Virginia. In 2014, VECF took advantage of an early termination clause to end the lease agreement in August 2014. Total payments made during the year for office space were \$50,148.

Future payments under these lease agreements are as follows.

<u>Year</u>	<u>Amount</u>
2015	\$ 8,378

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 the 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 \$35,276 ("benefits" line page 4 – Statement of Functional Expenses).

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, 2014, VECF has recorded unconditional contributions receivable related to the operations of the Foundation ("grant receivables net" line page 2 – Statement of Financial Position). These contributions are to be received subsequent to June 30, 2014 as follows:

Receivable less than a year	\$ 847,322
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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 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.

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 22, 2014, 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 \$776,128 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	\$ 1,732,277
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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	\$ 3,185,622
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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 22, 2014, 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-one 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 \$85,950 to VECF. The organization contracted with a company for lobbying and education activities, in which a board member is a partner. VECF followed protocol outlined in its conflict of interest policy, to ensure that there was no conflict of interest regarding these services. As of June 30, 2014, total costs for services were \$10,000.