

VIRGINIA EARLY CHILDHOOD FOUNDATION: TEN YEARS OF SMART BEGINNINGS

Chairman's Letter



At its 10-year mark, the Virginia Early Childhood Foundation (VECF) is the recognized leader in school readiness for Virginia's youngest children, building a high quality workforce for the 21st century. VECF launched in 2005 and has been supported by both the General Assembly and the Commonwealth's corporate leadership. This public-private partnership is working across the Commonwealth, helping to improve the quality of tomorrow's workforce and the strength of our economy for Virginia.

We would like to take this opportunity to thank the Foundation's public and private sector partners for their commitment to our work. Over the past ten years, VECF and its partners have made the state appropriation go further by leveraging additional funding for school readiness, yielding an impressive return on investment for the state. In addition, the growing expertise of VECF and the Smart Beginnings network has been pivotal to the state's recent successes in attracting significant and highly competitive funding for school readiness services.

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

Ben J. Davenport, Jr.
Chairman, FY14-15

VECF Officers FY16

- Reginald N. Jones - **Chairman**
Williams Mullen
- Katherine E. Busser - **Vice Chairman**
Virginia Children's Hospital Alliance
- Adrian P. Chapman - **Treasurer**
Washington Gas
- Beth D. Rhinehart - **Secretary**
Bristol Chamber of Commerce

VECF Board of Directors FY16

- Zelda Boyd, ex officio
Office of Early Childhood Development
- Deborah M. DiCroce, Ed.D.
Hampton Roads Community Foundation
- Glenn DuBois
Virginia Community College System
- Darla Edwards
Successful Innovations, Inc.
- William R. Ermatinger
Huntington Ingalls Industries
- Mark R. Ginsberg, Ph.D.
George Mason University
- Mark R. Gordon
St. Francis Medical Center
- William Hazel, M.D., ex officio
Secretary of Health and Human Resources

- Anne Holton, ex officio
Secretary of Education
- Maurice Jones, ex officio
Secretary of Commerce and Trade
- Paul D. Koonce
Dominion Virginia Power
- Ned W. Massee
Croatan Advisors
- Monica Q. Matherly
Wells Fargo
- William C. Rees, M.D.
Burke Pediatrics
- Gary L. Rhodes, Ph.D.
Reynolds Community College

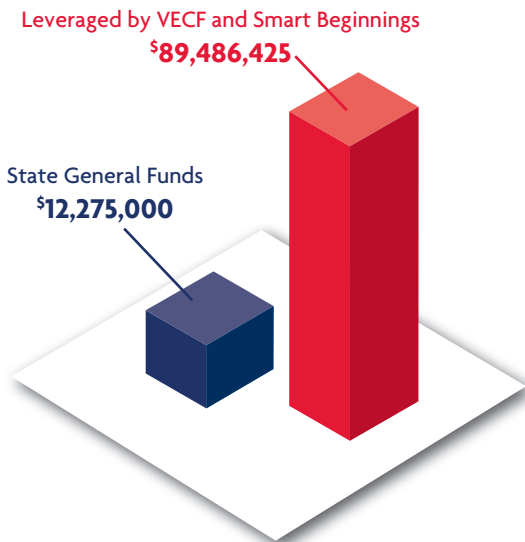
- Carrie Roth
Virginia Biotechnology Research Park
- Pamela J. Royal, M.D.
Royal Dermatology
- Nicholas G. Sladic
Capital One
- John A. Weinberg, Ph.D.
Federal Reserve Bank of Richmond

- Emeritus Directors*
- Thomas N. Chewning
Dominion Resources, Inc. (retired)

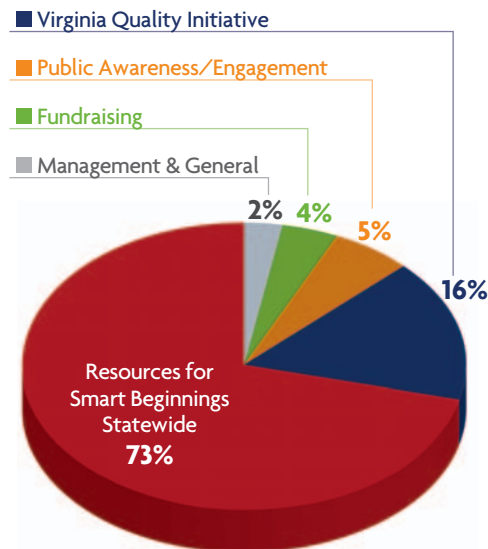
- Ben J. Davenport, Jr.
First Piedmont Corporation

- VECF President**
Kathy Glazer

FY07 - FY15 LEVERAGED FUNDS



FY15 PROGRAM EXPENSES



Vision: Every child in Virginia is prepared for school, laying the foundation for workforce and life success.

Mission: Virginia Early Childhood Foundation is the non-partisan steward and capacity-builder for advancing school readiness in the Commonwealth.

10 FOR 10: TOP ACHIEVEMENTS OF A DECADE OF SMART BEGINNINGS

1. FORGING PUBLIC-PRIVATE PARTNERSHIPS

The Virginia Chamber of Commerce's *Blueprint Virginia* highlighted the direct link between a strong early start for children and a productive future workforce. VECF and its many partners are dedicated to realizing this value for the Commonwealth as part of a comprehensive plan for economic prosperity and competitiveness.

As a public-private partnership with strong ties to both business and state government, the Virginia Early Childhood Foundation uses private sector solutions to advance school readiness for Virginia's youngest citizens. The following corporations have been instrumental in the Foundation's success:*

Alpha Natural Resources	Dominion Resources	PNC
American Electric Power	Ferguson Enterprises, Inc.	SunTrust
Bank of America	First Piedmont Corporation	Verizon
BB&T	First Tennessee Bank	Virginia Business Publications
Bon Secours Richmond Health System	Freddie Mac Foundation	Virginia Natural Gas / AGL Resources
Capital One Services, LLC	Huntington Ingalls Industries	Washington Gas
Columbia Gas of Virginia	NiSource	Wells Fargo
Crutchfield Corporation	Norfolk Southern	WestRock

*These corporations have contributed to VECF's statewide school readiness efforts. Please view the impressive list of businesses, foundations, and individuals who have supported Smart Beginnings' efforts at the state and local levels at www.vecf.org.



“The Virginia Chamber of Commerce and the Virginia Early Childhood Foundation are working together to ensure strategies that maximize Virginia's investment in workforce capacity and strengthen businesses for decades into the future. The way we see it, investing in the Commonwealth's future workforce is the ultimate corporate responsibility.”
Barry DuVal, President and CEO, Virginia Chamber of Commerce

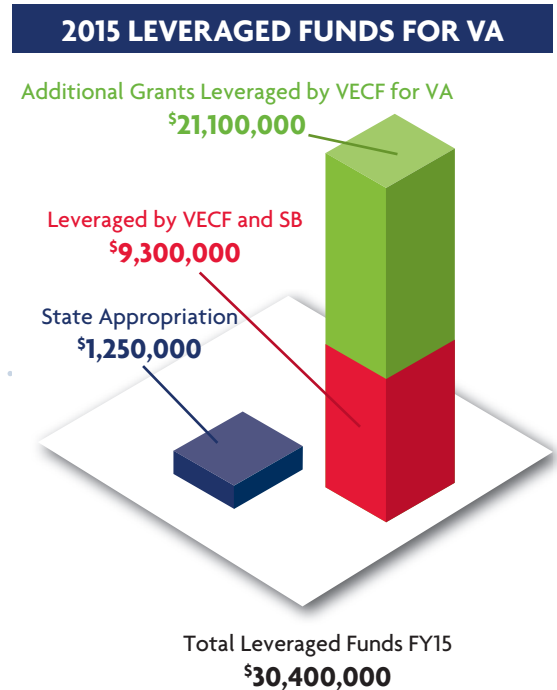
2. LEVERAGING INVESTMENT

VECF's private sector leadership and technical know-how, combined with the resources of the Smart Beginnings network, give our state a key competitive edge in garnering highly competitive grant awards. This year alone, VECF helped attract \$21.1 million in additional investments in school readiness services for high risk children and communities in Virginia. Examples range from a federal preschool grant targeting 11 high-need school divisions to a Kellogg Foundation grant assisting families in Southern Virginia.

3. MAXIMIZING RESOURCES

“Smart Beginnings is designed to help local communities problem-solve for effective solutions on the ground, including navigating the myriad of funding streams and programs for early childhood services. By promoting private sector leadership and greater flexibility of public funding and programs, the Virginia Early Childhood Foundation has been instrumental in maximizing the resources and resulting benefits for children and families – here in our region, and statewide.”

Mike Chinn, CEO, SNL Financial and Chair, Smart Beginnings Thomas Jefferson Area



4. DRIVING DATA-INFORMED DECISIONS

By anchoring its decision-making and practice in data and evidence, VECF and its Smart Beginnings partners are working to ensure the best possible outcomes for children and families.

Smart Beginnings Greater Roanoke partnered with Virginia Tech and Roanoke City Public Schools (RCPS) to analyze school readiness outcomes of children who previously attended quality-rated child care centers.* The data showed that 91% of young children who attended rated centers met the benchmark for school readiness, compared to 83% for all RCPS students, showing a link between Smart Beginnings' quality improvement efforts and children's school readiness.

*VECF collaborates with the Virginia Department of Social Services to lead **Virginia Quality**, a state-wide, market-based strategy to improve the quality of public and private early learning programs. This past year alone, more than nearly 20,000 young children statewide benefited from participating in these quality-focused learning programs.

5. ASKING THE TOUGH QUESTIONS

VECF and statewide Smart Beginnings partners are committed to discerning gaps in Virginia's school readiness and serving as a catalyst for solutions. VECF encourages state and local agencies to go beyond data collection and conduct meaningful analyses on the impact of Virginia's early childhood interventions.

In FY15, VECF published two significant reports. One is the first study to examine outcomes through 8th grade for participants of public preschool. The second takes a thoughtful look at the challenges of assessing the skills of Kindergarteners while ensuring tools that measure progress and inform teachers' instruction.

“The Virginia Early Childhood Foundation doesn't shy away from asking the tough questions. They are bringing a voice to the state's conscience and demonstrating the importance of research on outcomes, to guide future investments in children and families.”

Chris Braunlich, President, Virginia State Board of Education, 2014-15

6. EMPHASIZING ACCOUNTABILITY

As a business-led public-private partnership with a state mandate for accountability, VECF has a steadfast commitment to high performance and transparency for its own initiatives and the Commonwealth's system of programs and services for young children. VECF reports on indicators showing how the state and communities are measuring up when it comes to good health, school readiness and educational achievement by developing tools such as the School Readiness Report Card and its companion web-based interactive map.

“VECF's research reports and data tools make it easy to track and compare relevant readiness indicators in communities across the state. We're pleased to feature their School Readiness Report Card and data map as resources on Virginia Performs - The Council's signature initiative.”

Jane Kusiak, Executive Director, Council on Virginia's Future



7. INCENTIVIZING QUALITY

Understanding that the child care industry itself can be an economic driver for Virginia, VECF uses market-driven strategies to expand the availability of quality early learning programs. By supporting an increase in quality child care for families in Virginia, VECF is helping to develop a workforce for the future.

Forbes magazine recently highlighted the importance of paid child care to a state's economic growth. In Virginia, child care industry revenue combined with additional spillover spending have a nearly \$2.1 billion impact on the state's economy.

Throughout Virginia, there are 16,919 child care programs with revenue of \$1.1 billion. The child care industry employs 40,552 individuals supporting an additional 15,900 jobs in other industry sectors across Virginia.

Committee for Economic Development. (2015). *Child Care in State Economies*.

8. LINKING LOCAL SOLUTIONS TO STATE POLICY

By nurturing local capacity through the Smart Beginnings network, the Virginia Early Childhood Foundation helps capitalize on community innovation to inform state policy development.

“When it comes to children and families, I look to my local Smart Beginnings partners to help make sound recommendations and decisions about state policy based on local know-how and experience. Most recently, Smart Beginnings Southwest VA helped shine a light on the potential impact of Virginia Preschool Initiative eligibility changes to our region’s schools.” *Delegate Terry Kilgore*

9. EMBRACING THE LEARNING CURVE

The Virginia Early Childhood Foundation brings an entrepreneurial approach to school readiness, continually refining its strategies to ensure relevance and effectiveness.



“VECF has worked in communities, both large and small, across the Commonwealth helping them prepare their students for the first day of school. This learning curve provides a wealth of knowledge and best practices as new communities and champions join together to promote school readiness and prepare our students for their very best future.” *Karl Stauber, Executive Director, Danville Regional Foundation*

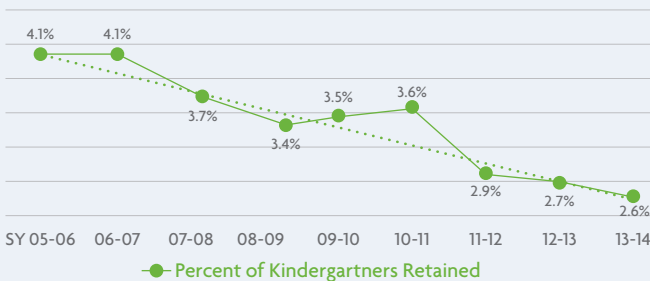
10. CHANGING THE PERSPECTIVE

With the persistence of VECF’s board leadership and Virginia Chamber associates over the past ten years, early childhood education is now viewed decisively as a workforce issue in Virginia. With strong leadership from VECF, this perspective will continue to gain momentum and benefit the economic climate of our state in the decade ahead.

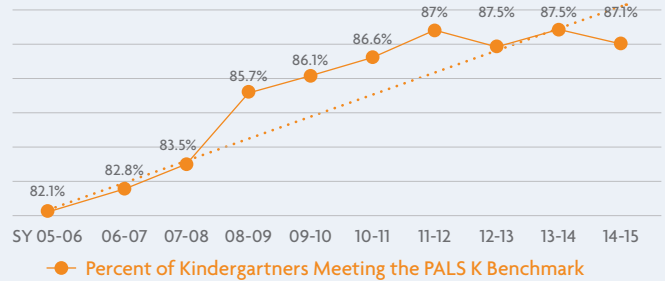
REFLECTING BACK AND FORGING AHEAD

Virginia’s investment in Smart Beginnings’ principles and innovation will result in both short and long term cost savings for taxpayers. Each time a child is prepared for school and avoids repeating a grade, the Commonwealth saves approximately \$11,000. These efforts pay off, with savings quickly surpassing state investment in Smart Beginnings.

Decrease in Kindergarten Repetition



Increase in Kindergarten Readiness Based on Fall Literacy Scores



In the decade ahead, VECF, its mission-driven board of directors, and network of local partners will continue to think forward using sound business principles, research, and evaluation for strategies to narrow the readiness gap for Virginia’s youngest citizens.

“In today’s world, the truest test of an educational system is how well it succeeds in giving all of its children a globally competitive education. If we really want to be successful at this and solve this problem at its source, I believe we have to go all the way back upstream to early childhood.”

Mike Petters, President and CEO, Huntington Ingalls Industries

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION JUNE 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$1,888,193
Accounts Receivable	
Grants Receivable Net	345,345
Prepaid Expenses	10,957
Other Assets	3,768

Total Current Assets \$2,248,263

LONG-TERM RECEIVABLES \$74,016

PROPERTY AND EQUIPMENT

Furniture and Fixtures	19,233
Accumulated Depreciation	(18,181)

Total Property and Equipment \$1,052

Total Assets \$2,323,331

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$50,532
Grants Payable	240,596
Accrued Expenses	34,415

Total Current Liabilities \$325,543

Net Assets

Unrestricted	\$545,257
Temporarily restricted	1,452,531

Total Net Assets \$1,997,788

Total Liabilities & Net Assets \$2,323,331

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

PUBLIC SUPPORT AND REVENUE	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<u>Public Support</u>			
Contributions			
Individual & Board Contributions	\$129,781	149,032	278,813
Corporations	112,500	247,000	359,500
Foundations & Organizations	32,750	463,769	496,519
Total Public Support	\$275,031	\$859,801	\$1,134,832
<u>Revenue</u>			
Government Grants	–	\$2,143,093	2,143,093
Interest Revenue	1,052	–	1,052
Total Revenue	\$1,052	\$2,143,093	\$2,144,145
Net Assets Released from Restrictions	\$3,282,640	(3,282,640)	–
Total Support & Revenue	\$3,558,723	(279,746)	\$3,278,977
<u>Expenses</u>			
Program Services	\$3,062,210	–	3,062,210
Fund Raising	138,549	–	138,549
Lobbying	5,064	–	5,064
Management & General	76,816	–	76,816
Total Expenses	\$3,282,639	–	\$3,282,639
Change in Net Assets	\$276,084	(279,746)	(3,662)
Net Assets, Beginning	\$269,173	1,732,277	2,001,450
Net Assets, Ending	\$545,257	1,452,531	1,997,788

2015 DONORS

The generosity and commitment of our donors enables the Foundation to provide the vision and leadership essential to advance school readiness for Virginia's children. VECF proudly thanks and recognizes the following donors for their contributions between July 1, 2014 and June 30, 2015.

STAKEHOLDER (\$1 MILLION +)

Virginia General Assembly

INVESTOR (\$100,000 - \$500,000)

Dominion Resources

W. K. Kellogg Foundation

Nemours, National Office of Policy & Prevention via a cooperative agreement from The Centers for Disease Control and Prevention

Robins Foundation

Virginia Department of Social Services

CAPACITY BUILDER (\$50,000 - \$99,999)

Thomas and Nancy J. Chewning Fund of The Community Foundation Serving Richmond and Central Virginia

Danville Regional Foundation

Norfolk Southern Foundation

INNOVATOR (\$25,000-\$49,999)

Bon Secours Richmond Health System

Huntington Ingalls Industries

WestRock Foundation

Tobacco Region Revitalization Commission

Wells Fargo Foundation

QUALITY CHAMPION (\$10,000-\$24,999)

Capital One Services, LLC

Mr. and Mrs. Ben J. Davenport, Jr.

Ferguson Enterprises, Inc.

Washington Gas

CONVENER (\$5,000-\$9,999)

Adrian and Jan Chapman

First Piedmont Corporation

Paul and Tammy Koonce

Jim and Barbara Ukrop

John Weinberg

PARTNER (\$2,500-\$4,999)

BB&T

Mark and Katherine E. Busser

Bill and Karie Ermatinger

Pamela J. Royal, MD & C. N. Jenkins, Jr.

Nicholas G. Sladic

Virginia Business Publications LLC

PATRON (\$1,000-\$2,499)

Columbia Gas of Virginia

First Tennessee Bank

Kathy Glazer

Paul and Susan Hirschbiel

Mr. and Mrs. Reggie Jones

Ned W. Massee

Monica and Barry Matherly

Gary McCollum

PNC Foundation

Betsy and Speaker Pollard

William "Biff" Rees, MD, MBA

Dr. Gary L. Rhodes

Successful Innovations, Inc.

BENEFACTOR (\$500-\$999)

Darla Edwards

Deborah Jonas

FRIEND (\$1-\$499)

Anonymous

Mary Barnes

Randall W. Betz and Barbara S. Mease

Mary Blanchard and Peter Blake

Karin and Churchill Bowles

Sharon Brager

Dora Butler

Commonwealth of VA Campaign

Mark and Robbie Emblidge

Dr. Mark R. Ginsberg and

Dr. Elaine A. Anderson

Dawn G. Greggs

Roger and Merry Guernsey

Jackie Hicks

Kenneth & Lauren Hutcheson

Emily Keenum

Colleen A. Kraft

Kris Meyers

Beth Rhinehart

Angela Rice

Gale and Bill Roberts

Susan Bailey and
Sidney Buford Scott
Endowment Trust

Barbara Sipe

Alena Smalligan

Alyson Williams

GIFTS IN KIND

Capital One

J. Sargeant Reynolds
Community College

Williams Mullen

We have made every attempt to ensure the accuracy of this listing. If you notice an error, please contact us at (804) 358-8323 so that we may personally extend our apology and make the correction.

Virginia Early Childhood Foundation

Financial Statements

June 30, 2015

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

Table of Contents

	Page
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-10
Schedule of Expenditures of Federal Awards	11
Notes to The Schedule of Expenditures of Federal Awards	12
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	13
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	15
Schedule of Findings and Questioned Cost	17
Prior –Year Audit Follow-Up	18

LARRY SAUNDERS & ASSOCIATES

Certified Public Accountants L.L.C.

2902 CHAMBERLAYNE AVENUE
RICHMOND, VA 23222-3506



Telephone (804) 321-8512
Fax (804) 321-8534

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Early Childhood Foundation (VECF) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VECF as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VECF's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Larry Brundage & Associates".

Richmond, Virginia
September 28, 2015

Virginia Early Childhood Foundation

Statement of Financial Position

June 30,	2015
Assets	
Current assets	
Cash and cash equivalents (note 1e and 11)	\$ 1,888,193
Accounts Receivable	
Grants Receivable net (note 7)	345,345
Prepaid Expenses	10,957
Other Assets	3,768
Total current assets	<u>2,248,263</u>
Long-term receivables (note 7)	74,016
Property and equipment	
Furniture and fixtures	19,233
Accumulated depreciation	(18,181)
Total property and equipment	<u>1,052</u>
Total assets	<u>\$ 2,323,331</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 50,532
Grants Payable	240,596
Accrued Expenses	34,415
Total current liabilities	<u>325,543</u>
Net assets	
Unrestricted	545,257
Temporarily restricted (note 12)	1,452,531
Total net assets	<u>1,997,788</u>
Total liabilities and net assets	<u>\$ 2,323,331</u>

Virginia Early Childhood Foundation

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Public Support			
Contributions (note 6 & 17)			
Individual and Board Contributions	\$ 129,781	\$ 149,032	\$ 278,813
Corporations	112,500	247,000	359,500
Foundations and Organizations	32,750	463,769	496,519
Total Public Support	275,031	859,801	1,134,832
Revenue			
Government Grants	-	2,143,093	2,143,093
Interest Revenue	1,052	-	1,052
Total Revenue	1,052	2,143,093	2,144,145
Net assets released from restrictions (note 13)	3,282,640	(3,282,640)	-
Total Support and Revenue	3,558,723	(279,746)	3,278,977
Expenses			
Program Services	3,062,210	-	3,062,210
Fund Raising	138,549	-	138,549
Lobbying	5,064	-	5,064
Management and General	76,816	-	76,816
Total expenses	3,282,639	-	3,282,639
Change in net assets	276,084	(279,746)	(3,662)
Net Assets, Beginning	269,173	1,732,277	2,001,450
Net Assets, Ending (note 12)	\$ 545,257	\$ 1,452,531	\$ 1,997,788

Virginia Early Childhood Foundation

Schedule of Functional Expenses

Year Ended June 30, 2015

	Programs	Fund Raising	Lobbying	Management and General	Total
Salaries (note 4)	\$ 516,716	\$ 64,537	\$ -	\$ 56,197	\$ 637,450
Benefits (note 5)	138,664	11,416	-	9,276	159,356
Total staff compensation	655,380	75,953	-	65,473	796,806
Professional Services	485,225	52,926	5,064	5,510	548,725
Supplies	3,163	233	-	423	3,819
Telecommunications	6,863	737	-	778	8,378
Postage	1,191	121	-	435	1,747
Leases (note 3)	36,025	4,397	-	2,277	42,699
Equipment Repair and Maintenance	3,124	414	-	225	3,763
Printing and Publications	606	37	-	20	663
Travel	7,166	-	-	5	7,171
Meetings and Events	87,113	152	-	461	87,726
Information/Membership	2,991	2,617	-	465	6,073
Professional Development	1,389	-	-	-	1,389
Equipment	4,827	442	-	400	5,669
Insurance	3,078	407	-	222	3,707
Advertising	183	-	-	60	243
Grants to Others	1,652,904	-	-	-	1,652,904
Subrecipient Awards	110,132	-	-	-	110,132
Gifts	261	35	-	19	315
Total expenses before depreciation	3,061,621	138,471	5,064	76,773	3,281,929
Depreciation	589	78	-	43	710
Total expenses	\$ 3,062,210	\$ 138,549	\$ 5,064	\$ 76,816	\$ 3,282,639

Virginia Early Childhood Foundation

Statement of Cash Flows

Year Ended June 30,	2015
Cash flows from operating activities	
Change in net assets	\$ (3,662)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	710
(Increase) decrease in grants receivable	427,961
(Increase) decrease in other assets	66
(Increase) decrease in prepaid expenses	(239)
Increase (decrease) in accounts payable	22,058
Increase (decrease) in grants payable	(77,214)
Increase (decrease) in accrued expenses	(4,590)
Net Cash Provided (Used) by Operating Activities	<u>365,090</u>
Cash flows from investing activities	
Purchase of investments	<u>(1,098)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,098)</u>
Net change in cash and cash equivalents	363,992
Cash and cash equivalents - beginning of year	<u>1,524,201</u>
Cash and cash equivalents - end of year	<u>\$ 1,888,193</u>

VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

f. Cash Equivalents

For purposes of the statement of cash flows, VECF considers all highly liquid debt instruments and certificate savings with a purchased maturity of three months or less to be 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.

**VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 the copier lease agreement were \$4,189.

In August 2014 VECF moved office locations and entered into a new five-year lease for office space in Richmond, Virginia. Total payments made during the year for office space were \$38,510.

Future payments under these lease agreements are as follows.

<u>Year</u>	<u>Amount</u>
2016	\$ 50,193
2017	47,485
2018	48,910
2019	50,377
2020	<u>16,957</u>
Total	<u>213,922</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 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 \$33,832 ("benefits" line page 5 – Statement of Functional Expenses).

6. Contributions and Grants

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-605-45, entitled Other Presentation Matters, 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.

VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

7. Contributions Receivable

At June 30, 2015, VECF has recorded unconditional contributions receivable related to the operations of the Foundation (“grant receivables net” line and “long-term receivables” line, page 3 – Statement of Financial Position). These contributions are to be received subsequent to June 30, 2015 as follows:

Receivable less than a year	\$ 345,345
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Receivable greater than a year	\$ 74,016
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An unamortized discount of \$1,968 has been deducted from receivables. The discount rate was 1.33% and total amount of unconditional promise to give was \$150,000. \$75,000 is expected to be received in fiscal years 2016 and 2017.

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. 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 June 30, 2015, and accordingly no liability is accrued. Fiscal years ending on or after 2012 remain subject to examinations by federal and state tax authorities.

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 had \$890,720 and \$12,888 uninsured in its accounts with Wells Fargo and SunTrust, respectively at June 30, 2015.

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	\$ 1,452,531
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VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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	\$ 3,282,640
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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 28, 2015, 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 \$120,000 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, 2015, total costs for services were \$46,000.

Virginia Early Childhood Foundation

Schedule of Expenditures of Federal Awards

June 30, 2015

<u>Federal Agency</u>	<u>Pass Through Agency</u>	<u>Federal Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services	The Nemours Foundation	Early Childcare and Education Obesity Prevention Program- Obesity Prevention in Young Children- financed solely by Public Prevention and Health Funds	5U58DP004102	93.742	\$ 300,681
Department of Health and Human Services	Virginia Department of Social Services	Child Care Development Block Grant	G1301VACCDF	93.575	\$ 369,657
Department of Health and Human Services	Virginia Department of Health	Assistance Program for Chronic Disease Prevention and Control	709P532412	93.945	\$ 13,955
U.S. Department of Education	The University of Virginia	Preschool Development Grant	GS11352-148386	84.419	\$ 6,681
					\$ 690,974

See Notes to the Schedule of Expenditures of Federal Awards.

**VIRGINIA EARLY CHILDHOOD FOUNDATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of VECF and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of "OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, VECF provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Early Childcare and Education Obesity Prevention Program- Obesity Prevention in Young Children-financed solely by Public Prevention and Health Funds	93.742	\$ 110,132
		<hr/>
Total Subrecipient Awards		<u>\$ 110,132</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Virginia Early Childhood Foundation (VECF) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VECF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VECF's internal control. Accordingly, we do not express an opinion on the effectiveness of VECF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VECF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richmond, Virginia
September 28, 2015

A handwritten signature in black ink that reads "Larry Anderson & Associates". The signature is written in a cursive style and is positioned to the right of the main text block.

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

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

Report on Compliance for Each Major Federal Program

We have audited Virginia Early Childhood Foundation's (VECF) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of VECF's major federal programs for the year ended June 30, 2015. VECF's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of VECF's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of VECF's compliance.

Opinion on Each Major Federal Program

In our opinion, VECF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

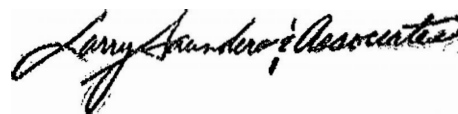
Report on Internal Control over Compliance

Management of VECF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered VECF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VECF's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia
September 28, 2015

VIRGINIA EARLY CHILDHOOD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a unmodified opinion on the (general-purpose) financial statements of Virginia Early Childhood Foundation (VECF).
2. The audit did not disclose any noncompliance which is material to VECF's financial statements.
3. The auditors' report on compliance for the major federal award program for VECF expresses a unmodified opinion.
4. The audit did not disclose any audit finding which are required by OMB A-133 section 510 (a).
5. The program tested as a major program included: Department of Health and Human Services CFDA 93.742 Early Childcare and Education Obesity Prevention Program- Obesity Prevention in Young Children – financed solely by Public Prevention and Health Funds and The Department of Health and Human Services CFDA 93.575. Child Care Development Block Grant
6. The threshold for distinguishing Type A and B programs were \$300,000 for type A and \$100,000 for type B.
7. VECF was not determined to be a low risk auditee. This determination is based on upon the fact VECF has not been required to be audited in accordance with OMB A-133 compliance requirements in the prior two years. VECF's federal expenditures in the prior two years did not exceed the \$500,000 OMB A-133 threshold.

PRIOR-YEAR AUDIT FOLLOW-UP

There were no prior year audit findings since VECF has not been required to have an OMB A-133 compliance audit in the prior two years. VECF did not have federal expenditures in excess of the OMB A-133 \$500,000 threshold in the prior two years.