



2019 ANNUAL REPORT

OUR VISION:

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

OUR MISSION:

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

OUR ROLE:

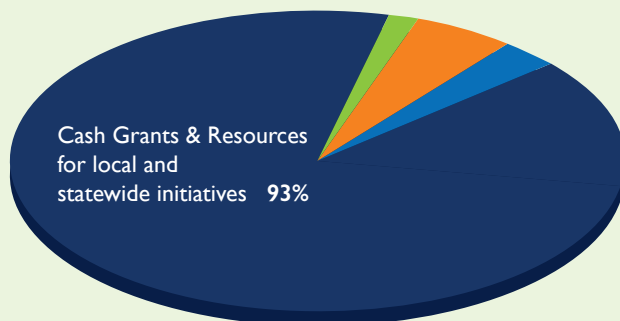
As the state's public-private school readiness partner, the Virginia Early Childhood Foundation envisions and strives for strong, durable state and local structures to support young children and families by:

- shedding light to reveal and harness untapped potential in Virginia's school readiness efforts
- testing innovation to discern promising new approaches
- driving solutions to deliver better results

By shedding light on systems building, testing innovation, and driving solutions, VECF is serious about our commitment to the Commonwealth to serve as the private partner for the state's school readiness efforts. We strive to shape and inform a vision for early childhood that builds the capacity of communities to ensure school, workforce, and life success for children - especially those most at risk. The challenge remains – as does our commitment – to deliver on a cohesive, effective, and accountable early childhood system for Virginia.

VECF'S FINANCIAL STEWARDSHIP

Management & General	4%
Public Awareness/Engagement	2%
Fundraising	1%



FY19 Expenses
\$5,784,916

Additional Funds Leveraged by VECF for VA
\$14,800,948

Other Funds Leveraged by VECF and Local Initiatives
\$12,512,993

State Appropriation
\$1,250,000

FY19 Leveraged Funds for School Readiness in Virginia
\$27,313,941

(22:1 ratio from base appropriation)



To our Stakeholders and Partners:

The Virginia Early Childhood Foundation (VECF) strives to set a vision for Virginia's cohesive, effective and accountable early childhood system. It's our pleasure to present this report on progress in our role as the state's public-private school readiness partner.

VECF was created 14 years ago by business and education leaders who recognized the impact that early childhood development plays in laying a strong foundation for Virginia's youngest citizens, helping to ensure their success in school, the workforce, and life. Since then, with steady investment from Virginia's governors and legislature, VECF has focused on efforts to build local capacity and to inform and strengthen the critical infrastructure that underlies an equitable early childhood system. We're pleased to share with you some of the culminating initiatives that VECF has forged over the past year in partnership and in service to the Commonwealth and its residents.

We value all our stakeholders, investors and the families and children whom we prioritize. VECF and its Smart Beginnings partners seize every opportunity to leverage resources to yield significant return on investment. In FY19, VECF and partners leveraged additional resources to our base appropriation by a ratio of 22:1. At the same time, we keep overhead low, strategically directing resources into strategies that hold promise for children and families in Virginia.

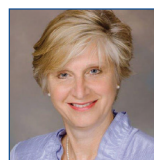
VECF is well poised for increased focus and impact in the year ahead, honing strategies and lessons learned from the innovative work of communities across the state. We look forward to partnering with Virginia's business community to promote a framework to articulate Virginia's early childhood goals, principles and standards in statute, leveraging an array of programs to form a cohesive, accountable, common sense system to support our youngest learners.

Thank you for joining us in the vision that every Virginia child is prepared for school, laying the foundation for workforce and life success.

Sincerely,



William Ermatinger
Chair,
VECF Board of
Directors FY18-19



Kathy Glazer
President

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SHEDDING LIGHT

FOCUS ON: SYSTEMS BUILDING

There are many factors that influence a child's development during the critical first brain-building years. Children's experiences and environments, including access to preventative health, early learning, and other supportive services, impact the brain's rapidly growing architecture. Helping coordinate these elements into a coherent, aligned whole - "systems building" - is a key part of VECF's work.

As the convener between public and private sectors to increase efficiencies, encourage innovation and create partnerships, VECF acts as the backbone for statewide networks including our flagship Smart Beginnings initiative, which convenes community leaders to build the capacity to create optimal environments for children's multi-faceted growth and development. Essential to effective systems building, VECF supports increased intelligence at both state and local levels on integrated financing, data and information systems, and sponsored research and evaluation.



RESULTS:

- Increasing community cooperation and expertise related to data-sharing and analysis
- Growing expertise in understanding and strategically integrating financing in early childhood
- Understanding the needs and assets of Virginia's children, families, and early childhood educators



WANT MORE INFO?

SMART BEGINNINGS

www.vecf.org/what-is-smart-beginnings/

DATA ADVANCEMENTS

www.vecf.org/ecidsdata-capacity-booster/

FINANCING

www.vecf.org/virginia-early-childhood-integrated-financing/

RESEARCH

www.vecf.org/wp-content/uploads/2019/09/PDG-B5-Needs-Assessment.pdf

Why Take a Systems View?

It can be tempting to tackle various components of early childhood development in silos.

In fact, early childhood programs are often funded categorically, enforcing those silos.

And yet, unless we view early childhood as a comprehensive system across the age continuum and component service areas and sectors, we miss the opportunity for the impressive return on investment we can expect from attention to holistic development for young children.

The whole is greater than the sum of its parts.

TESTING INNOVATION

VECF is committed to bringing all sectors to the table to solve problems, discern promising new approaches, and foster innovation. Although many families rely on public funding to access high quality preschool, Virginia has experienced challenges in maximizing enrollment through the current funding and program options available to families. One barrier has been the lack of space in school facilities to serve more 4-year-old preschoolers.

A vital mixed delivery system, made up of early learning services in both public and private settings, is especially important in Virginia to reach the most at-risk children. Publicly-funded programs that serve at-risk children in private child care settings can offer flexible schedules that benefit working families, including full-day and year-round options not typically offered in public school programs.

FOCUS ON: MIXED DELIVERY PRESCHOOL PILOT PROGRAM

In FY19, VECF awarded the third round of Mixed Delivery Preschool Grants to a cohort of communities to test replicable innovative strategies that support a public-private system of preschool delivery among childcare providers, school divisions, and community programs.

These innovative pilots field-test strategies to reduce barriers in access and quality, and design delivery systems that harness local strengths and address challenges.



Key findings from a rigorous evaluation of the first two cohorts of the Mixed Delivery Preschool Pilot Program provide important information to help Virginia discern how to efficiently reform and improve its system of early childhood education programs to better fit the realities of families with young children.

RESULTS:

- Children in community-based mixed delivery classrooms achieved outcomes comparable to those of pupils in school-based VPI classrooms (literacy, language, math and self-regulation). The majority of children in both VPI and mixed delivery classrooms achieved outcomes that met or exceeded outcomes typical for their age group (language, literacy, math).
- Teacher qualifications varied in mixed delivery classrooms vs. public school VPI classrooms, yet children achieved similar outcomes across the different settings.
- Mixed delivery communities used the grant opportunity to advance formalized shared governance, establish partnerships, increase access and use of data, support workforce capacity, and leverage funding.



Why Pilot?

As the state's public-private partner, one of VECF's key roles is as an incubator of promising practices.

When we see a stubborn barrier, such as long-term problems with communities fully accessing VPI dollars available to them, piloting a potential solution in a short term, low-cost and low-risk manner can offer important lessons for consideration of scale-up at the state level.

It's a smart business practice.



WANT MORE INFO?

www.vecf.org/mixed-delivery-grant/

DRIVING SOLUTIONS

With the majority of children birth to five in Virginia living in households in which all parents are working, access to child care is an important work support that helps put families on firmer financial ground. The key ingredient to these experiences' achieving the additional significant benefit of school readiness for young children is a talented teacher. And yet the vitally important early educator workforce is among the lowest in compensation, which jeopardizes access to competency-building, credit-bearing higher education opportunities leading to the certificates and degrees that may be required by employers. VECF has led a statewide initiative to emphasize the importance of early educators and create an affordable pathway of competency-building coursework and credentials to support their effectiveness.

FOCUS ON: UPSKILLING THE EARLY EDUCATOR WORKFORCE

In working to bridge the divide that early educators faced when navigating the higher education system in Virginia, VECF facilitated the collaborative work of a team of representatives from Virginia community colleges, universities, and state agencies. The group met regularly over the course of two years to leverage 1) key changes that had been made in Virginia's teacher licensure and education program regulations and 2) new state priorities and strategies to ease the teacher shortage. The team dared to envision a pathway of affordable, "stackable" competency-building credentials for early educators – including a newly-designed associate degree program that articulates with no loss of credits to newly-designed baccalaureate degree programs with a concentration in early childhood development – that could be completed within a "4-year" term. This new pathway leads to preK-3rd grade teacher licensure with a focus on the specific competencies and skills needed to support children's development from birth through age 8, and was announced by Governor Northam in November 2018.

RESULT:

Virginia now offers a seamless higher education pathway for early educators who are employed in public and/or private early education programs that is affordable, leads to licensure, and focuses on the competencies needed to effectively support the development of children birth to age eight.

WANT MORE INFO?

www.vecf.org/upskilling-virginias-early-learning-workforce-navigating-the-pathway/



Why Buck Assumptions?

Some of Virginia's toughest challenges remain stubborn because it's human nature to default to status quo ideas and long-held assumptions. For example, it has been viewed as a given that the standard of requiring a specific degree and teacher licensure for teachers in school-based preschool programs is an appropriate way to ensure quality in these classrooms. However, a credential, degree, or license is relevant to effective classroom practice (and the experience of and gains for young children) only if it reflects the mastery of specific competencies, skills and knowledge that support optimal teaching of children ages birth to age 8.

The Upskilling initiative seeks to buck an assumption and strategically address meaningful and affordable credentialing for the early educator workforce across the higher education continuum in Virginia.

They deserve no less.

2019 DONORS

The generosity and commitment of our funding partners enable 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, 2018 and June 30, 2019.



STAKEHOLDERS (\$1 MILLION +)

Preschool Development Grant Birth to Five through the Virginia Department of Education

Temporary Assistance for Needy Families through the Virginia Department of Social Services

Virginia General Assembly through the Virginia Department of Education

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

Child Care and Development Fund through the Virginia Department of Social Services

Dominion Energy

W.K. Kellogg Foundation

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

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

Huntington Ingalls Industries

Robins Foundation

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

Greensville Memorial Foundation

Bob and Anna Lou Schaberg Foundation

Norfolk Southern Foundation

Wells Fargo

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

Adrian and Jan Chapman

Community Foundation for a greater Richmond

Virginia Natural Gas

Walmart, Inc.

Washington Gas

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

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Bowlman T. Bowles, Jr., Trustee

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Fund of the Community Foundation
for a greater Richmond

Mike and Mary Chinn

Bill and Karie Ermatinger

PNC Bank

Troutman Sanders LLP

Mr. and Mrs. James E. Ukrop

John Weinberg

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

Alliance for Early Success

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

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Capital One

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Kathy Glazer

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Monica Q. and Barry I. Matherly

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The Haltom Family

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Lauren and Ken Hutcheson

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Kevin and Jennifer Ross

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FRIEND (\$1-\$249)

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Jeff and Marilyn Rice

Cynthia Romero, MD, FFAFP

S. Duke Storen

Alyson Williams

GIFTS IN KIND

Williams Mullen

GIFTS IN MEMORY

Charles G. & Carol E. Ellis -

In memory of Senator John Miller

Barbi Jones - In memory of Ruth Sager

We have made every attempt to ensure the accuracy of this listing. If you notice an error, please contact us at (804) 358-8323.

FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION June 30, 2019

ASSETS

Current Assets

Cash And Cash Equivalents	3,349,261
Grants Receivable	1,355,898
Contributions Receivable	1,199
Other Receivables	825
Prepaid Expenses	30,315
Other Assets	6,836

Total Current Assets \$4,744,334

Property And Equipment

Furniture and Fixtures	37,864
Accumulated Depreciation	(27,303)

Total Property And Equipment \$10,561

Total Assets \$4,754,895

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	482,518
Grants Payable	632,633
Accrued Expenses	66,789

Total Current Liabilities \$1,181,940

Net Assets

Without Donor Restrictions	1,175,038
With Donor Restrictions	2,397,917

Total Net Assets \$3,572,955

Total Liabilities & Net Assets \$4,754,895

STATEMENT OF ACTIVITIES Year Ended June 30, 2019

PUBLIC SUPPORT & REVENUE

Public Support

Contributions	
Individual and Board Contributions	59,060
Corporations	292,086
Foundations and Organizations	135,825

Total Public Support \$486,971

Revenue

Government Grants	5,312,700
Interest Revenue	2,258

Total Revenue \$5,314,958

Total Support And Revenue \$5,801,929

EXPENSES

Program Services	5,508,225
Fund Raising	36,865
Lobbying	13,125
Management and General	226,701

Total Expenses \$5,784,916

Change in Net Assets \$17,013

Net Assets, Beginning \$3,555,942

Net Assets, Ending \$3,572,955



1703 N. Parham Road, Suite 110 Richmond, VA 23229 • (804) 358-8323 • www.vecf.org



Virginia Early Childhood Foundation

Financial Statements

June 30, 2019 and 2018

Virginia Early Childhood Foundation

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Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards

Board of Directors
Virginia Early Childhood Foundation
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Early Childhood Foundation (VECF), which comprise the statement of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019, on our consideration of VECF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the VECF's 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.

Mitchell Wiggins

Petersburg, Virginia
September 18, 2019

Virginia Early Childhood Foundation

Statements of Financial Position June 30, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 3,349,261	\$ 4,141,421
Grants receivable	1,355,898	172,565
Contributions receivable	1,199	3,595
Other receivables	825	30,313
Prepaid expenses	30,315	32,189
Deposit	6,836	3,767
Property and equipment, net	10,561	7,450
Total assets	\$ 4,754,895	\$ 4,391,300
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 482,518	\$ 247,804
Grants payable	632,633	529,909
Accrued expenses	66,789	57,645
Total liabilities	1,181,940	835,358
Net Assets		
Without donor restrictions	1,175,038	1,087,689
With donor restrictions	2,397,917	2,468,253
Total net assets	3,572,955	3,555,942
Total liabilities and net assets	\$ 4,754,895	\$ 4,391,300

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Activities ***Year ended June 30, 2019***

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Direct public support	\$ 376,146	\$ 110,825	\$ 486,971
Government grants	-	5,312,700	5,312,700
Interest income	2,258	-	2,258
Net assets released from restrictions	5,493,861	(5,493,861)	-
Total revenues and other support	5,872,265	(70,336)	5,801,929
Expenses			
Program services	5,521,350	-	5,521,350
Fundraising	36,865	-	36,865
Management and general	226,701	-	226,701
Total expenses	5,784,916	-	5,784,916
Change in net assets	87,349	(70,336)	17,013
Net assets, beginning	1,087,689	2,468,253	3,555,942
Net assets, ending	\$ 1,175,038	\$ 2,397,917	\$ 3,572,955

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Activities ***Year ended June 30, 2018***

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Direct public support	\$ 245,561	\$ 804,319	\$ 1,049,880
Government grants	-	4,549,185	4,549,185
Interest income	1,852	-	1,852
Net assets released from restrictions	4,964,630	(4,964,630)	-
Total revenues and other support	5,212,043	388,874	5,600,917
Expenses			
Program services	5,090,513	-	5,090,513
Fundraising	50,695	-	50,695
Management and general	224,218	-	224,218
Total expenses	5,365,426	-	5,365,426
Change in net assets	(153,383)	388,874	235,491
Net assets, beginning	1,241,072	2,079,379	3,320,451
Net assets, ending	\$ 1,087,689	\$ 2,468,253	\$ 3,555,942

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Functional Expenses Year Ended June 30, 2019

	Programs	Management and General	Fundraising	Total
Salaries	\$ 770,144	\$ 32,057	\$ 27,836	\$ 830,037
Payroll taxes	56,315	2,071	1,890	60,276
Employee benefits	134,037	8,606	4,662	147,305
Total salaries and related expenses	960,496	42,734	34,388	1,037,618
Advertising	85	165	-	250
Contractual and professional services	1,075,061	141,896	-	1,216,957
Depreciation	4,400	196	158	4,754
Dues and subscriptions	5,592	140	-	5,732
Grants to others	3,203,256	-	-	3,203,256
Insurance	5,341	238	191	5,770
Lobbying	13,125	-	-	13,125
Meetings and events	33,311	4,945	-	38,256
Professional development	32,305	753	-	33,058
Rent	59,328	2,640	2,124	64,092
Repairs and maintenance	121	5	4	130
Subrecipient awards	24,161	-	-	24,161
Supplies, postage, and other	54,129	24,404	-	78,533
Telephone	10,590	4,264	-	14,854
Travel	40,049	4,321	-	44,370
Total expenses	\$ 5,521,350	\$ 226,701	\$ 36,865	\$ 5,784,916

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Functional Expenses Year Ended June 30, 2018

	Programs	Management and General	Fundraising	Total
Salaries	\$ 668,679	\$ 61,615	\$ 38,886	\$ 769,180
Payroll taxes	49,055	3,062	2,671	54,788
Employee benefits	113,212	9,818	5,620	128,650
Total salaries and related expenses	830,946	74,495	47,177	952,618
Advertising	445	345	-	790
Contractual and professional services	929,754	117,248	-	1,047,002
Depreciation	2,280	204	125	2,609
Dues and subscriptions	5,293	474	300	6,067
Grants to others	2,951,748	-	-	2,951,748
Insurance	1,080	97	59	1,236
Lobbying	5,000	-	-	5,000
Meetings and events	43,738	12,178	-	55,916
Miscellaneous	660	1,417	-	2,077
Professional development	5,482	786	-	6,268
Rent	42,663	3,825	2,422	48,910
Repairs and maintenance	10,781	967	612	12,360
Subrecipient awards	218,659	-	-	218,659
Supplies, postage, and other	2,670	6,107	-	8,777
Telephone	5,282	2,722	-	8,004
Travel	34,032	3,353	-	37,385
Total expenses	\$ 5,090,513	\$ 224,218	\$ 50,695	\$ 5,365,426

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flow from Operating Activities		
Changes in net assets	\$ 17,013	\$ 235,491
<i>Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities</i>		
Depreciation	4,754	2,609
Changes in operating assets		
Grants receivable	(1,183,333)	128,655
Contributions receivable	2,396	150,605
Prepaid expenses	1,874	(14,346)
Other receivables	29,488	63,082
Deposit	(3,069)	-
Changes in operating liabilities		
Accounts payable	234,714	151,998
Grants payable	102,724	(151,578)
Accrued expenses	9,144	14,850
Net cash and cash equivalents provided by (used in) operating activities	(784,295)	581,366
Cash Flow from Investing Activities		
Purchase of property and equipment	(7,865)	(6,155)
Net cash and cash equivalents (used in) investing activities	(7,865)	(6,155)
Net change in cash and cash equivalents	(792,160)	575,211
Cash and cash equivalents, beginning	4,141,421	3,566,210
Cash and cash equivalents, ending	\$ 3,349,261	\$ 4,141,421

See Notes to Financial Statements

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

The Virginia Early Childhood Foundation (the Foundation) is a non-profit corporation 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. The Foundation is funded primarily from contributions and governmental grants.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The only limits on the use of these net assets are the broad limits resulting for the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status.

Net assets with donor restrictions

Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months as cash and cash equivalents. The Foundation had cash balances in financial institutions that exceeded federal depository insurance limits at June 30, 2019 and 2018.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (continued)

Grants receivable and contributions receivable

Contributions and grants receivable are recorded as received. Contributions and grants receivable due in the next year are reflected as current contributions and grants receivable and are recorded at their net realizable value. Contributions and grants receivable due in subsequent years are reflected as long-term contributions and grants receivable are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises to give are received to discount the amounts. An allowance for uncollectible contributions and grants receivable is provided based on management's evaluation of potential uncollectible contributions and grants receivable at year end. No allowance for uncollectible accounts has been provided because management has evaluated the receivables and believes they are fully collectible.

Property and equipment

Expenditures for the acquisition of property and equipment over \$1,000 are capitalized at cost or, if donated, at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Maintenance and repairs are charged to expense when incurred.

Revenue recognition

Contributions which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Program support grants are recognized as revenue at the time of the award if they are unconditional.

The Foundation reports grants and contributions in the net asset with donor restriction class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the statements of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in net assets without donor restrictions.

Revenues from cost reimbursement grants are recognized to the extent allowable expenses are incurred under the respective agreements. Amounts reported as grants and contributions receivable include grant program expenses incurred in advance of the receipt of funds as well as program support grants that have been awarded but not received. Funds received in advance of grant program expenses are reported as deferred revenue.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (continued)

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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recently issued accounting standards

The Foundation adopted FASB ASU No. 2016-14 in the year ended June 30, 2019. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include expenses by nature and function;
- Investment expenses are reported net of investment returns; and
- The financial statements include a disclosure about liquidity and availability of resources (Note 5).

Income taxes

The Foundation is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. The Foundation had no unrelated business income during the years ended June 30, 2019 and 2018. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Foundation follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions." This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Foundation's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2019 and 2018. The tax years of 2016 to 2018 remain subject to examination by the taxing authorities.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (continued)

The Foundation includes penalties and interest assessed by income taxing authorities in operating expenses. The Foundation did not have penalties and interest expenses for the years ended June 30, 2019 and 2018.

Advertising costs

Advertising costs are expensed as incurred and amounted to \$250 and \$790, respectively, for the years ended June 30, 2019 and 2018.

Functional allocation of expenses

The costs of program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

In-kind contributions/expenses

Donated goods and services are recorded at fair market value at the date of the donation. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- The services require specialized skills and are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated; or
- The services enhance or create an asset.

Although the Foundation utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Note 2. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of June 30, 2019 and 2018 on the statements of financial position include the following major classifications:

	2019	2018
Equipment	\$37,864	\$29,999
	37,864	29,999
Less accumulated depreciation	(27,303)	(22,549)
	<u>\$10,561</u>	<u>\$ 7,450</u>

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Early Childhood Programs, Initiatives and Technical Assistance	\$2,397,917	\$2,468,253
	<u>\$2,397,917</u>	<u>\$2,468,253</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors and grantors as of June 30, 2019 and 2018, and are as follows:

	<u>2019</u>	<u>2018</u>
Early Childhood Programs, Initiatives and Technical Assistance	\$5,493,861	\$4,964,630
	<u>\$5,493,861</u>	<u>\$4,964,630</u>

Note 4. Functionalized Expenses

The Statements of Activities report expenses both by natural and functional classification. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting category when identifiable and possible. General operating costs across nearly all natural categories are allocated based on estimates of time and effort.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 5. Liquidity and Availability of Financial Assets

Financial assets, without donor or other restrictions limiting their use, available for general expenditures within one year as of June 30, 2019 are:

Cash and cash equivalents	\$ 3,349,261
Grants receivable	1,355,898
Contributions receivable	1,199
Other receivables	825
Total financial assets	<u>4,707,183</u>
Less donor restricted funds	<u>(2,397,917)</u>
Amount available for general expenditures within one year	<u>\$ 2,309,266</u>

Management and the Board of Directors regularly monitor liquidity needs of the Foundation.

Note 6. Lease Commitments

The Foundation leases office space in Richmond, Virginia under a five-year agreement that expires in October 2019. Total rental expense under this lease agreement was \$50,377 and \$48,910, respectively, for the years ended June 30, 2019 and 2018. The total future minimum rental commitment at June 30, 2019 is due as follows:

June 30, 2020	<u>\$ 16,957</u>
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In addition to the above lease, the Foundation leases a copier machine for \$313 a month on a month-to-month basis. Total rental expense under this lease agreement was \$3,582 and \$3,699, respectively, for the years ended June 30, 2019 and 2018.

Note 7. Retirement Plan

Employees participate in a tax-deferred annuity plan that is subject to Section 403(b) of the Internal Revenue Code. The tax deferred annuity plan was established to allow employees the opportunity to contribute toward their retirement benefits. The Foundation is not required to contribute to this tax-deferred annuity plan. It was established only for employees to make contributions up to the maximum contribution permitted by the Internal Revenue Code. Employees also participate in a simplified employee pension plan in which the Foundation contributes 6% of the employee's total wages. Total retirement expense was \$49,694 and \$44,220, respectively, for the years ended June 30, 2019 and 2018.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 8. Related-Party Transactions

The Foundation contracted with a company for lobbying and education activities, in which a board member was a partner. The Foundation 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, 2019 and 2018, total costs for services rendered were \$0 and \$26,250, respectively.

Note 9. Economic Dependency

For the years ended June 30, 2019 and 2018, approximately 86% and 94% of total revenues and other support came from two and three funding sources, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Foundation's programs and activities.

For the years ended June 30, 2019 and 2018, approximately 92% and 98% of total contributions and grants receivable, or \$1,245,894 and \$172,108, represents amounts due from two and four funding sources, respectively.

Note 10. Subsequent Events

Management has evaluated subsequent events through September 18, 2019, the date which the financial statements were available for issue.

Independent Auditor's 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

Board of Directors
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, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Early Childhood Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Early Childhood Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Early Childhood Foundation'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 Virginia Early Childhood Foundation'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Wiggins

Petersburg, Virginia
September 18, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance

Board of Directors
Virginia Early Childhood Foundation
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited Virginia Early Childhood Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Virginia Early Childhood Foundation's major federal programs for the year ended June 30, 2019. Virginia Early Childhood Foundation'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Virginia Early Childhood Foundation'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Virginia Early Childhood Foundation'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 Virginia Early Childhood Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Virginia Early Childhood Foundation 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, 2019.

Report on Internal Control Over Compliance

Management of Virginia Early Childhood Foundation 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 Virginia Early Childhood Foundation'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 the Uniform Guidance, 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 Virginia Early Childhood Foundation'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mitchell Wiggins

Petersburg, Virginia
September 18, 2019

Virginia Early Childhood Foundation

Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Department of Health and Human Services.</u>				
<u>Administration for Children and Families/</u>				
<u>Virginia Department of Social Services</u>				
Temporary Assistance to Needy Families (TANF)	93.558	CCECD-18-211	\$ 621,990	\$ 1,163,893
<u>Department of Health and Human Services/</u>				
<u>Center for Disease Control and Prevention/</u>				
<u>The Nemours Foundation</u>				
Taking Steps to Healthy Success	93.742	6 5U58DP004102-05	-	196,003
	93.421	6 NU380T000304-01	-	87,650
<u>Department of Health and Human Services.</u>				
<u>Administration for Children and Families/</u>				
<u>Virginia Department of Social Services</u>				
Child Care Development Fund (Discretionary Funds)				
Virginia Quality Rating and Improvement System (QRIS)	93.575	OECD-18-113	-	278,329
<u>United States Department of Education/</u>				
<u>The University of Virginia</u>				
Preschool Development Grant: Expansion Grants	84.419B	GS11352-148366	-	151,959
<u>Department of Health and Human Services.</u>				
<u>Administration for Children and Families/</u>				
<u>Virginia Department of Education</u>				
Preschool Development Grant: Birth - Five (PDG)	93.434	90TP0039-01-00	218,395	684,867
Total Expenditures of Federal Awards			\$ 840,385	\$ 2,562,701

See Notes to Schedule of Expenditures of Federal Awards

Virginia Early Childhood Foundation

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Virginia Early Childhood Foundation under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Virginia Early Childhood Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Virginia Early Childhood Foundation.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Virginia Early Childhood Foundation has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Virginia Early Childhood Foundation

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.558

Department of Health and Human Services,
Administration for Children and Families,
477 Cluster:

93.575

Temporary Assistance to Needy Families
Child Care Development Fund

93.434

Department of Health and Human Services,
Administration for Children and Families:
Preschool Development Grant: Birth-Five

Virginia Early Childhood Foundation

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2019

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

Virginia Early Childhood Foundation

Summary Schedule of Prior Audit Findings Year Ended June 30, 2019

Identifying Number: 2018-001 Revenue

Audit Finding:

Criteria and Condition: Financial statements prepared in accordance with accounting principles generally accepted in the United States of America call for revenue to be recognized in accordance with accounting principles generally accepted in the United States of America.

Context: Audit tests revealed that there was \$514,949 recorded as a deferred revenue liability as of June 30, 2018 that should have been recorded as revenue in fiscal year 2018, and as an increase in temporarily restricted net assets as of June 30, 2018.

Cause: The finding appears to be an isolated incident during fiscal year 2018 and was the result of management's misinterpretation of a grant award that was unconditional rather than conditional. Management's interpretation of the grant was that it was conditional with right of return which is the reason the \$514,949 was recorded as deferred revenue rather than recognized as revenue in fiscal year 2018.

Effect: Revenue recognized during fiscal year 2018 was understated by \$514,949 and liabilities as of June 30, 2018 were overstated by \$514,949.

Recommendation: We recommend that procedures be developed to strengthen internal controls over revenue recognition.

Corrective Actions Taken:

Corrective action was taken.

Virginia Early Childhood Foundation

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Identifying Number: 2018-002 Noncompliance

Audit Finding:

Criteria and Condition: The grant terms and conditions with Virginia Department of Social Services (VDSS) stipulates that no work can be subcontracted without prior written consent of VDSS. Under any subcontracts, the Contractor (Virginia Early Childhood Foundation) shall remain fully liable and assure compliance with all requirements of the contract. A contractor or sub-recipient agrees to comply with the audit and reporting requirements defined by the Office of Management & Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart F.

Cause: Virginia Early Childhood Foundation has managed this grant for a number of years using the same sub-recipients and working with the guidance and oversight of VDSS. In previously years, the funds came through appropriations of the Virginia General Assembly. In the current year, the grant became a federal award through the Department of Health and Human Services and the terms and conditions changed to comply with federal requirements. The contracts with sub-recipients were not updated to reflect the changes or preapproved in writing with VDSS.

Effect: Virginia Early Childhood Foundation has not complied with all the grant terms or properly communicated all grant terms and conditions to the subcontractors. They have not verified that each sub-recipient was audited if required nor considered the results of the sub-recipients audits.

Recommendation: We recommend that the grant terms and conditions with sub-recipients incorporate the wording in the contract with VDSS and the sub-recipients be preapproved in writing as required. We also suggest that Virginia Early Childhood Foundation annually send a letter to the sub-recipients with instructions to reply that no audit was required or send a copy of the sub-recipient's audit report.

Corrective Actions Taken:

Corrective action was taken.