

VIRGINIA EARLY CHILDHOOD FOUNDATION 2020 ANNUAL REPORT TO STAKEHOLDERS



To our Stakeholders and Investors:

Virginia Early Childhood Foundation (VECF) is marking its 15th year of service as the Commonwealth's public-private partner in building a strategic and sustained focus on school readiness in Virginia. Our solid track record is built on what we've always known to be true: the value of public-private partnerships, region and family-driven solutions, and ultimately, the need for a statewide business plan for building an equitable, efficient, accountable, high quality early childhood system in Virginia. The nimbleness, flexibility and rapid-response nature of public-private partnerships has never been more essential than during 2020. VECF has been particularly honored to partner with state agencies in relief, response, and recovery efforts.

The 2020 General Assembly session generated an historic moment for early childhood in Virginia with tremendous progress in policy and legislation and unprecedented support for investment in early childhood programs. The advances help reach more at-risk children, improve quality, and better support the workforce that delivers school readiness. This resounding recognition of the importance of early childhood is the culmination of years of hard work, leadership, and perseverance by diverse partners across the state. Early educators, parents, school divisions, Smart Beginnings, social service leaders, business executives and many other community partners led the efforts, shoulder to shoulder with the administration and legislative leaders to deliver this win for Virginia's children.

Ironically, on the heels of this optimistic progress, COVID-19 and its devastating effects on Virginia's children, families, and communities laid bare the deficiencies of our current system and threatened our progress. And concurrently, recent tragedies and outcry have provided a stark reminder that the legacy of racial injustice – long woven into our systems – continues to bestow privilege on some while severely limiting opportunities for others.

With Crisis Comes Opportunity

At VECF, we are motivated by crises and disruption to redouble our commitment, seize opportunity, and steward equity as we enter a new decade. As the pandemic struck, VECF launched **Back to Work Virginia: A Child Care Recovery and Renaissance Task Force**, a convening of Virginia's leaders in government, business, philanthropy, and communities, to assertively develop recommendations toward a business plan for paradigm shifts that will stabilize, strengthen, and re-envision the child care system in Virginia. Now more than ever, it is clear that child care is a cornerstone of Virginia's economy. VECF has mobilized to help child care providers navigate these uncertain times and to champion their role as an essential societal function to both get Virginians back to work and prepare a talented future workforce.

Equity as North Star

Although we've long been focused on calling out disparities, VECF is committed to prioritizing equity in everything we do, undergirding our determination that as we build our systems anew, we steward sure steps to dismantle racist policies and confront systemic biases. VECF is redoubling our efforts to listen, learn, and act with intentionality to dispel racial injustice and economic and geographical disparity, internally and in all aspects of our work.

VECF and its Smart Beginnings partners seize every opportunity to leverage resources to yield significant return on investment. In FY20, VECF and partners garnered additional resources to our base appropriation by a ratio of 28:1. At the same time, we keep overhead low (only 3% of our FY21 budget), intentionally directing resources into communities and the strategies that hold promise for children and families in Virginia. We invite you to visit www.vecf.org to learn more about our work over the past year.

Thank you for your valued interest and support of this transformative work. Together, we will create a more equitable and resilient child care system for Virginia's bright future.



Ned W. Masee
Chairman

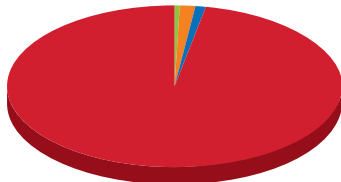


Kathy Glazer
President



VECF'S FINANCIAL STEWARDSHIP

Management & General	1.5%
Public Awareness/Engagement	1%
Fundraising	.5%
Cash Grants & Resources for Community Partners Statewide	97%



FY20 Program Expenses
\$12,199,756



State Appropriation
\$1,250,000

Other Funds Leveraged by
 VECF and Local Initiatives
\$18,981,046

Additional Funds
 Leveraged by VECF for VA
\$16,291,000

**FY20 Leveraged Funds
 for School Readiness in Virginia**
\$35,272,046
 (28:1 ratio from base appropriation)

VECF OFFICERS

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 Croatan Advisors
 Robert Hurt - **Vice Chairman**
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 Capital One
 Dr. Cynthia Romero - **Secretary**
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PRESIDENT

Kathy Glazer

FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

ASSETS

Current Assets

Cash & Cash Equivalents	\$3,569,751
Accounts Receivable	
Grants Receivable Net	1,544,084
Contributions Receivable	29,789
Other Receivables	14,812
Prepaid Expenses	38,470
Other Assets	3,767
Total Current Assets	5,200,673

Property and Equipment

Furniture & Fixtures	39,357
Accumulated Depreciation	(32,963)
Total Property & Equipment	6,394

Total Assets	\$5,207,067
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LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	\$303,800
Grants Payable	811,857
Accrued Expenses	73,428
Line of Credit	200,000
Refundable Advance	211,765
Total Current Liabilities	1,600,850

Net Assets

Without Donor Restrictions	887,095
With Donor Restrictions	2,719,122
Total Net Assets	3,606,217

Total Liabilities & Net Assets	\$5,207,067
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STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

PUBLIC SUPPORT & REVENUE

Public Support

Contributions	
Individuals & Board Contributions	\$73,026
Corporations	259,200
Foundations & Organizations	722,099
Total Public Support	1,054,325

Revenue

Government Grants	11,176,629
Interest Revenue	2,064
Total Revenue	11,178,693

Total Support & Revenue	\$12,233,018
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EXPENSES

Program Services	\$11,956,812
Fundraising	47,817
Lobbying	16,684
Management & General	178,443
Total Expenses	12,199,756

Change in Net Assets	33,262
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Net Assets, Beginning	3,572,955
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Net Assets, Ending	\$3,606,217
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2020 DONORS

The Virginia Early Childhood Foundation is able to provide the vision and leadership essential to advancing school readiness for Virginia's children because of the generosity and commitment of its funding partners. VECF proudly thanks and recognizes the following donors for their contributions between July 1, 2019 and June 30, 2020.

STAKEHOLDER (\$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
Health Resources and Services Administration through the Virginia Department of Health
Nemours National Office of Policy and Prevention via a cooperative agreement from The Centers for Disease Control and Prevention
Robins Foundation
W.K. Kellogg Foundation

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

Huntington Ingalls Industries

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

Alliance for Early Success
Bob and Anna Lou Schaberg Foundation
Community Foundation for a greater Richmond
Norfolk Southern Foundation
Wells Fargo

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

Greensville Memorial Foundation
PNC Foundation
Preschool Development Grant through the Virginia Department of Education and the University of Virginia
Washington Gas

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

Bank of America
Mike and Mary Chinn
Bill and Karie Ermatinger
Freeman Family Foundation
Thomas and Nancy J. Chewing Fund of the Community Foundation for a greater Richmond

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

Kevin Curtis
Luanne S. Gutermuth
Hunton Andrews Kurth LLP
Mr. and Mrs. James E. Ukrop

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

Capital One Services, LLC
Cathy's Foundation, Bowlman T. Bowles, Jr., Trustees
Alexandra Cunningham
Dr. Deborah M. DiCroce
Family and Children's Trust Fund
Food and Nutrition Services through the Virginia Department of Social Service
Kathy Glazer
The Haltom Family
Megan Healy and David Hallock
Joy and Reggie Jones
Ned W. Massee
Stephen and Heather Moret
William "Biff" Rees, MD, MBA
Nicholas Sladic
Gary and Janice Thomson
Dietra Y. Trent

BENEFACTOR (\$250-\$999)

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Dan and Kim Carey
Steve and Samantha Howell
Robert Hurt
Dr. Deborah Jonas
Dr. Thomas R. Morris
Todd Norris
Gale and Bill Roberts
Shannon L. Rudisill
Stephen Weir

FRIEND (\$1-\$249)

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Karin and Churchill Bowles
Sharon and Rob Brager
Sandy L. Chung, MD
Vanessa DiLeo
The Honorable James Dyke
Daniel and Laura McGregor
Mr. and Mrs. Demetrius Mitchell
Lucy Wagner Mitzner
Angela Rice
Cynthia C. Romero, MD
Roots Natural Kitchen
S. Duke Storen
Alyson Williams
Terri and Chris Ziegler

GIFTS IN-KIND

Williams Mullen

GIFTS IN MEMORY

IN MEMORY OF
SENATOR JOHN MILLER
Charles G. and Carol E. Ellis

GIFTS IN HONOR

IN HONOR OF
HARRY CAMPBELL
Childrens Crafts Shop

IN HONOR OF
THE TALENTED VECF STAFF TEAM

Kathy Glazer

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





MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

Virginia Early Childhood Foundation

Financial Statements

June 30, 2020 and 2019

Virginia Early Childhood Foundation

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Mitchell Wiggins

Certified Public Accountants

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, 2020 and 2019, 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, 2020 and 2019, 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 16, 2020, 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 16, 2020

Virginia Early Childhood Foundation

Statements of Financial Position June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 3,569,751	\$3,349,261
Grants receivable	1,544,084	1,355,898
Contributions receivable	29,789	1,199
Other receivables	14,812	825
Prepaid expenses	38,470	30,315
Deposit	3,767	6,836
Property and equipment, net	6,394	10,561
Total assets	\$ 5,207,067	\$4,754,895
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 303,800	\$ 482,518
Grants payable	811,857	632,633
Accrued expenses	73,428	66,789
Line of credit	200,000	-
Refundable advance	211,765	-
Total liabilities	1,600,850	1,181,940
Net Assets		
Without donor restrictions	887,095	1,175,038
With donor restrictions	2,719,122	2,397,917
Total net assets	3,606,217	3,572,955
Total liabilities and net assets	\$ 5,207,067	\$4,754,895

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Activities Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Direct public support	\$ 337,615	\$ 716,710	\$ 1,054,325
Government grants	-	11,176,629	11,176,629
Interest income	2,064	-	2,064
Net assets released from restrictions	11,572,134	(11,572,134)	-
Total revenues and other support	11,911,813	321,205	12,233,018
Expenses			
Program services	11,973,496	-	11,973,496
Fundraising	47,817	-	47,817
Management and general	178,443	-	178,443
Total expenses	12,199,756	-	12,199,756
Change in net assets	(287,943)	321,205	33,262
Net assets, beginning	1,175,038	2,397,917	3,572,955
Net assets, ending	\$ 887,095	\$ 2,719,122	\$ 3,606,217

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 Functional Expenses
Year Ended June 30, 2020**

	Programs	Management and General	Fundraising	Total
Salaries	\$ 979,712	\$ 52,839	\$ 36,229	\$ 1,068,780
Payroll taxes	71,798	3,132	2,373	77,303
Employee benefits	147,309	12,605	5,555	165,469
Total salaries and related expenses	1,198,819	68,576	44,157	1,311,552
Advertising	165	-	-	165
Contractual and professional services	2,335,133	54,007	-	2,389,140
Depreciation	5,173	296	191	5,660
Dues and subscriptions	4,158	10,782	-	14,940
Grants to others	8,184,375	-	-	8,184,375
Insurance	10,420	596	384	11,400
Interest expense	6,153	352	227	6,732
Lobbying	16,684	-	-	16,684
Meetings and events	70,347	4,350	-	74,697
Professional development	558	2,325	-	2,883
Rent	77,369	4,426	2,850	84,645
Repairs and maintenance	216	12	8	236
Supplies, postage, and other	42,207	24,286	-	66,493
Telephone	6,043	5,240	-	11,283
Travel	15,676	3,195	-	18,871
Total expenses	\$ 11,973,496	\$ 178,443	\$ 47,817	\$ 12,199,756

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

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flow from Operating Activities		
Changes in net assets	\$ 33,262	\$ 17,013
 <i>Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities</i>		
Depreciation	5,660	4,754
Changes in operating assets		
Grants receivable	(188,186)	(1,183,333)
Contributions receivable	(28,590)	2,396
Prepaid expenses	(8,155)	1,874
Other receivables	(13,987)	29,488
Deposit	3,069	(3,069)
Changes in operating liabilities		
Accounts payable	(178,718)	234,714
Grants payable	179,224	102,724
Accrued expenses	6,639	9,144
Refundable advance	211,765	-
Net cash and cash equivalents provided by (used in) operating activities	21,983	(784,295)
 Cash Flow from Investing Activities		
Purchase of property and equipment	(1,493)	(7,865)
Net cash and cash equivalents (used in) investing activities	(1,493)	(7,865)
 Cash Flow from Financing Activities		
Advances on line of credit	200,000	-
Net cash and cash equivalents provided by financing activities	200,000	-
 Net change in cash and cash equivalents	220,490	(792,160)
Cash and cash equivalents, beginning	3,349,261	4,141,421
Cash and cash equivalents, ending	\$3,569,751	\$ 3,349,261
 Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 6,732	\$ -

See Notes to Financial Statements

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2020 and 2019

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 from 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, 2020 and 2019.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2020 and 2019

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.

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, 2020 and 2019

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.

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, 2020 and 2019. 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, 2020 and 2019. The tax years of 2017 to 2019 remain subject to examination by the taxing authorities.

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, 2020 and 2019.

Advertising costs

Advertising costs are expensed as incurred and amounted to \$165 and \$250, respectively, for the years ended June 30, 2020 and 2019.

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.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (continued)

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, 2020 and 2019 on the statements of financial position include the following major classifications:

	2020	2019
Equipment	<u>\$ 39,357</u>	<u>\$ 37,864</u>
	39,357	37,864
Less accumulated depreciation	<u>(32,963)</u>	<u>(27,303)</u>
	<u>\$ 6,394</u>	<u>\$ 10,561</u>

Note 3. Line of Credit

The Foundation has a revolving line of credit with a maximum borrowing amount of \$1,500,000 and is secured by all of the Foundation's assets. Interest accrues on the outstanding balance at a rate of 3.25%. There was \$200,000 outstanding under the line of credit as of June 30, 2020. There are no financial covenants required by the lending institution.

Note 4. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2020 and 2019:

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Note 4. Net Assets with Donor Restrictions (continued)

	2020	2019
Early Childhood Programs, Initiatives and Technical Assistance	\$2,719,122	\$2,397,917
	<u>\$2,719,122</u>	<u>\$2,397,917</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors and grantors as of June 30, 2020 and 2019, and are as follows:

	2020	2019
Early Childhood Programs, Initiatives and Technical Assistance	\$ 11,572,134	\$ 5,493,861
	<u>\$ 11,572,134</u>	<u>\$ 5,493,861</u>

Note 5. 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.

Note 6. 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, 2020 and 2019 are as follows:

	2020	2019
Cash and cash equivalents	\$ 3,569,751	\$ 3,349,261
Grants receivable	1,544,084	1,355,898
Contributions receivable	29,789	1,199
Other receivables	14,812	825
Total financial assets	5,158,436	4,707,183
Less donor restricted funds	<u>(2,719,122)</u>	<u>(2,397,917)</u>
Amount available for general expenditures within one year	<u>\$ 2,439,314</u>	<u>\$ 2,309,266</u>

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

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Note 7. Lease Commitments

The Foundation leases office space in Richmond, Virginia under a five-year agreement that expires in February 2025. Total rental expense under this lease agreement was \$62,220 and \$50,377, respectively, for the years ended June 30, 2020 and 2019. The total future minimum rental commitment at June 30, 2020 is due as follows:

June 30, 2021	\$ 79,617
June 30, 2022	82,006
June 30, 2023	84,466
June 30, 2024	87,000
June 30, 2025	59,148
Total	<u>\$ 392,237</u>

Note 8. 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 \$66,475 and \$49,694, respectively, for the years ended June 30, 2020 and 2019.

Note 9. Economic Dependency

For the years ended June 30, 2020 and 2019, approximately 89% and 86% of total revenues and other support came from two funding sources. 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, 2020 and 2019, approximately 84% and 92% of total contributions and grants receivable, or \$1,340,424 and \$1,245,894, represents amounts due from one and two funding sources, respectively.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Note 10. COVID-19 and Payroll Protection Program Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it be a pandemic. COVID-19 and actions to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. The extent to which the COVID-19 pandemic may impact operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this report. The Foundation is adequately capitalized and continues to evaluate operational impacts and implement mitigation tactics where possible and necessary.

In response to the Coronavirus pandemic, Congress established the Paycheck Protection Program (the PPP) to provide relief to small businesses during the Coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA's 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities. The Foundation applied for the PPP and was given a loan in the amount of \$211,765. Interest in the amount of 1% is due and payable at the time of the SBA's measurement of possible forgiveness. The loan is to be repaid within two years from date of funding of May 4, 2020.

The Foundation has accounted for the proceeds as a financial liability in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under this standard, a transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the resource provider. Conditions will be considered substantially met when notified by the lender of the amount forgiven. Based on the criteria, the entire amount of the PPP funds have been shown as a refundable advance on the statements of financial position.

Note 11. Subsequent Events

Management has evaluated subsequent events through September 16, 2020, 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, 2020 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 16, 2020 .

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 16, 2020

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, 2020. 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, 2020.

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 16, 2020

Virginia Early Childhood Foundation

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

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	\$ 582,306	\$ 1,250,000
<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	93.421	6 NU38OT000004-01-02	-	30,883
	93.421	5 NU38OT000304-02-00	9,630	124,750
<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	-	317,713
<u>United States Department of Education/</u>				
<u>The University of Virginia</u>				
Preschool Development Grant: Expansion Grants	84.419B	GS11352-148366	-	18,719
<u>United States Department of Agriculture/</u>				
<u>Food and Nutrition Services/</u>				
<u>Virginia Department of Social Services</u>				
50/50 SNAP E&T	10.561	BEN-20-017-07	2,177	2,177
<u>Department of Health and Human Services/</u>				
<u>Health Resources and Services Administration</u>				
<u>Virginia Department of Health/</u>				
<u>Maternal and Child Health Services</u>				
Developmental Screening Initiative	93.994	B04MC32577	130,382	140,417
<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	5,019,404	6,512,758
Total Expenditures of Federal Awards			\$ 5,743,899	\$ 8,397,417

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, 2020

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, 2020. 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, 2020

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 No

Significant deficiency(ies) identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes 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 No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.434

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

93.558

Temporary Assistance to Needy Families
Child Care Development Fund

93.575

Virginia Early Childhood Foundation

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020

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

Auditee qualified as low-risk auditee? X Yes 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, 2020

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.