



To our Stakeholders and Investors:

It's our pleasure to present the **Virginia Early Childhood Foundation's 2021 Annual Report** on our progress as Virginia's public-private partner in building a strategic and sustained focus on the healthy development and school readiness of our youngest children. As the attached report conveys, this past year has been unprecedented, as Virginia's early childhood care and education (ECCE) system faced many challenges to keep children learning, families working, economies moving, and communities stable. In the midst of the disruption, struggle and chaos, VECF joined other ECCE leaders and stakeholders to set a vision for building a new and better system that works for everyone engaged in and benefiting from it, one with equity at the center. By challenging and moving beyond the status quo, VECF and its partners undertook groundbreaking new strategies needed for achieving the bold goal of ensuring that all Virginia families have access to quality child care by 2030. Although we recognize that there will be long lasting negative impacts from the pandemic (especially in learning disruptions, trauma, and job/financial stress for children and families), we are fully ready to harness the change, pivot when needed, and assertively move forward as champions for children, a responsibility and honor we take very seriously.

In FY21, VECF and partners garnered additional resources to our base appropriation by a ratio of 45:1. At the same time, we kept overhead low, 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.

Our solid track record is built on what we've always known to be true: the value of public-private partnerships, regionally- 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. VECF is seizing the opportunity stemming from the pandemic disruption to advance early childhood systems building to the next level by launching Ready Regions, a comprehensive, regional model that serves children and families in every community.

Sixteen years ago, VECF was created by business and education leaders who recognized the impact that early childhood development plays in laying a foundation for Virginia's youngest citizens. Today, we believe more than ever that a strong early childhood system is the cornerstone of Virginia's economy and workforce success.

Thank you for your valued interest and support of this transformative work. Together, we will create a vastly improved early childhood system for Virginia's bright future.



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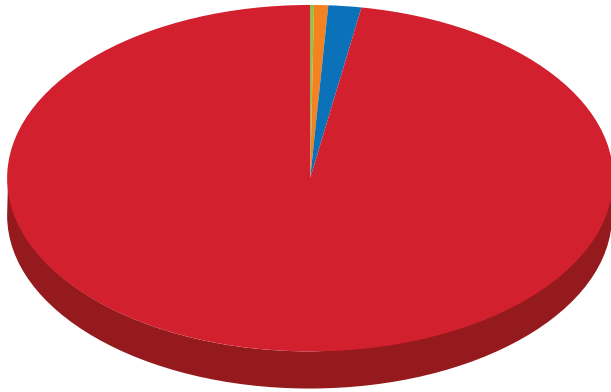
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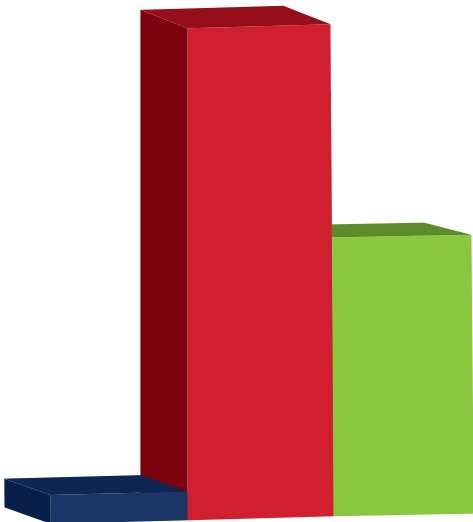
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Kathy Glazer

VECF's Financial Stewardship



Management & General	1.25%
Public Awareness/Engagement	1.5%
Fundraising	.25%
Cash Grants & Resources for Community Networks Statewide	97%

FY21 Program Expenses
\$33,773,892



Base Appropriation
\$1,250,000

Other Funds
 Leveraged by VECF
 and Local Initiatives
\$36,143,258

Additional Funds
 Leveraged by VECF for VA
\$20,236,023

FY21 Leveraged Funds
 for School Readiness in Virginia
\$56,379,281

(45:1 RATIO FROM BASE APPROPRIATION)



Financial Information

STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

ASSETS

Current Assets

Cash & Cash Equivalents	\$3,010,993
Cash Held for Others	4,385,593
Accounts Receivable	
Grants Receivable Net	2,969,572
Contributions Receivable	76,980
Other Receivables	17,515
Prepaid Expenses	23,585
Other Assets	3,767
Total Current Assets	10,488,005

Property and Equipment

Furniture & Fixtures	\$25,566
Accumulated Depreciation	(21,799)
Total Property & Equipment	3,767

Total Assets	\$10,491,772
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LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	\$504,504
Grants Payable	2,489,843
Amounts Held for Others	4,385,593
Accrued Expenses	110,358
Line of Credit	730,000
Total Current Liabilities	8,220,298

Net Assets

Without Donor Restrictions	816,276
With Donor Restrictions	1,455,198
Total Net Assets	2,271,474

Total Liabilities & Net Assets	\$10,491,772
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STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

PUBLIC SUPPORT & REVENUE

PUBLIC SUPPORT

Contributions	
Individuals & Board Contributions	\$83,868
Corporations	214,256
Foundations & Organizations	351,000
Total Public Support	649,124

Revenue

Government Grants	31,577,111
Payroll Protection Program forgiveness	211,765
Interest Revenue	1,149
Total Revenue	31,790,025

Total Support & Revenue	\$32,439,149
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EXPENSES

Program Services	\$33,528,769
Fundraising	63,510
Lobbying	14,000
Management & General	167,613
Total Expenses	33,773,892

Change in Net Assets	(1,334,743)
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Net Assets, Beginning	3,606,217
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Net Assets, Ending	\$ 2,271,474
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2021 Donors

The Virginia Early Childhood Foundation is able to provide the vision and leadership essential to ensuring early childhood success because of the generosity and commitment of its funding partners. VECF proudly thanks and recognizes the following donors for their contributions between July 1, 2020 and June 30, 2021.

STAKEHOLDERS (\$1 MILLION +)

US Administration for Children and Families through the Virginia Department of Social Services:
CARES Act
Child Care Development Fund
Temporary Assistance for Needy Families

US Administration for Children and Families through the Virginia Department of Education:
Preschool Development Grant
Birth-Five

US Department of Education through the Virginia Department of Education:
CARES Act
Governor's Emergency Education Relief Fund

Virginia General Assembly through the Virginia Department of Education

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

Centers for Disease Control and Prevention through the Nemours Foundation:

Healthy Kids Healthy Future

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US Health Resources and Services Administration through the Virginia Department of Health:

Title V Maternal and Child Health Block Grant

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IN HONOR OF

THE TALENTED VECF STAFF TEAM

Kathy Glazer



A Disruptive Era Calls for Rapid Response, Recovery, and System-Wide Transformation

VECF Annual Report - FY 21

In the early months of 2020 prior to the pandemic unfolding, VECF was completing a months-long strategic planning and evaluation process of its systems-building efforts. The conclusions from the evaluator, SRI Education International, could not have been more apropos to what lay ahead: *“These challenges will not be solved simply or quickly. Although we must have the patience to develop long-term remedies, we must also recognize the urgency of supporting the current generation of Virginia’s youngest residents during the most sensitive period in their development. It is incumbent upon VECF to advocate assertively to disrupt inequitable systems and rebuild equitable and durable systems for the good of the communities.”* This report is an effort to document VECF’s responses to this historic moment; but more importantly, it is an affirmation of our commitment to chart a better path forward.

Table of Contents

Overview: Baseline 2019.	3
COVID-19 Pandemic 2020	3
Rapid Response: Information is Power	5
Rapid Response: Partnership Solves Problems	6
Recovery: Capacity to Adapt Saves the Day	7
Transformation: From Disruption to Opportunity	8
Conclusion.	9
A Year of Rapid Change and Action	10



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Overview: Baseline 2019

The early childhood care and education (ECCE) system in Virginia mirrors its peers across the country in its strengths and challenges. Teachers and providers bring skill and dedication to the children and families they serve, advocates drive toward the vision for every child to have opportunities to learn and thrive, and families strive to give their child a solid foundation while gaining an important work/life support. Yet, the system remains beleaguered by inequities and inadequacies. Affordability and access are significant challenges, complicated by financing conundrums. For example, families face staggering prices for ECCE services (the average price for infant care is \$14,500 annually in VA) though often providers charge families less than the actual cost, and teacher salaries (average \$22,797 annually in VA) are well below the Federal Poverty Level, which results in high turnover costs for the industry already beset by thin margins. The industry is largely run by women and disproportionately, women of color, and like most in our nation, the ECCE system is characterized by embedded systemic racism and sexism resulting in these populations experiencing the greatest burdens of its shortcomings. Despite decades of incremental course correction efforts, shy of large-scale investments and system-wide overhaul, these issues persist.

For over fifteen years, VECF has been a driver and partner in the goal to deliver an equitable and durable ECCE system for Virginia. In 2019, VECF's Annual Report stated its role in striving for strong durable structures is to:

- ▶ Shed light to reveal and harness untapped potential in Virginia's school readiness efforts
- ▶ Test innovation to discern promising new approaches
- ▶ Drive solutions to deliver better results

COVID-19 Pandemic 2020

In March 2020 as the Coronavirus pandemic emerged, VECF issued a statement doubling down on their commitment to the field of early childhood education as a whole. In this letter, **VECF pledged to facilitate Virginia's successful rapid response, recovery, and transformation of childcare solutions.** Months later, in the wake of the murders of several Black Americans, VECF made an additional pledge to **redouble their efforts to listen, learn, and act with intentionality to dispel racial injustice and economic disparity, internally and in all aspects of our work building equitable and durable early childhood systems.**

Over the course of 16 months (March 2020 – July 2021) and concurrent national and international crises, four areas of need, function, and insight emerged. Through this retrospective report, VECF reflects on and documents learnings from this historic era, including the role the organization was uniquely prepared to serve; the value of its many partnerships in making strides toward relief, recovery, and reimagination; and what this bodes for VECF's future directions.



By The Numbers...

7,600

stakeholders and providers attended

28 informational briefings



\$180M supported

4,500 providers with federal CARES child care stabilization grants



\$5M in teacher recognition grants for approximately **2,500** early educators

4,500 new, safe learning spaces for children ages 3-12

All **133** Virginia localities will be served by **Ready Regions**

\$1.3M

in bonus incentives to

2,200

school age care teachers

\$800,000

in Pathfinders scholarships for

1,100

early educators



5x expansion to **1250 slots** in VECF Mixed Delivery for 3- and 4-year-olds served in 2021-22 school year

66% Of participating children are BIPOC

20% have identified disabilities

66% are from households at or under 130% FPL

30 organizations and **465** Promise Makers participating in

Virginia Promise Partnership coalition

Rapid Response: Information is Power

Needs/Issues: As the pandemic emerged and spurred rapidly changing perceptions and guidance for child care providers, the need for a singular, trusted information hub became quickly apparent. Providers faced difficult decisions regarding operating vs. closing, staff and child safety and risks, child and family livelihood, essential workforce needs, and business/financial sustainability. Amid the chaos and uncertainty, making the best decision for a provider's unique circumstances was daunting, if not impossible. VECF stepped up in multiple ways to support providers and communities in navigating paths forward and making connections to critical information, resources, and practical guidance to serve families and children safely.

A. Position Statements and Advocacy

On March 25, 2020, in the initial throes of the pandemic, VECF released a position statement urging special accommodations and precautions for child care providers and early educators, and quickly became a centering and unifying voice in advocating for them as essential personnel themselves, enabling other front-line workers and parents to return to work.

B. Briefings for ECCE Stakeholders and Providers

Within days of the shutdown, on March 18th VECF led an informational briefing to help providers and other members of the ECCE system understand how Virginia's mandated shutdown impacted the child care industry. Over the next 11 months, in response to an eager audience, VECF produced a total of [28 virtual briefings](#), staying in step with rapidly emerging issues. Notably, seven of these briefings were held within the first month of shutdown when access to and the change rate of information was dizzying. All were recorded and posted on [VECF's website](#) throughout the pandemic.

C. Guides and Toolkits for ECCE Providers

In response to provider needs, VECF created and widely distributed [detailed navigation tools](#) to extend one-stop, comprehensive and trusted support through clear, calming, steady guidance. The first tool, [A Guide for Virginia Child Care Providers to Navigate the COVID-19 Crisis](#), posted April 20, 2020 summarized current knowledge regarding COVID-19 health and safety; offered a risk/benefit analysis and flow chart for providers in evaluating when, how, and if to reopen; and provided user-friendly guidance for accessing emergency funding. Based on its effectiveness for Virginia, several other states adapted it for use. Additional tools widened language access (Spanish/English) and practical navigation assistance for accessing essential operating, stabilizing, and staff and family well-being resources.

Insights:



A trusted, central voice to elevate needs and solutions within and across communities and sectors is a valuable resource, especially given the diverse composition and varied representation of the ECCE/child care industry with different program types each with its own associations and advocates but no single unifying voice.

VECF widened opportunities and communications platforms for more ECCE stakeholders to engage and share struggles/triumphs, design cross-systems solutions, ask questions and contribute resources that kept services available for children and families, and informed recovery and rebuilding with greater insight into every part of the ECCE system.

Rapid Response: Partnership Solves Problems

Needs/Issues: Early in the pandemic, in order to keep staff and families safe and because of financial devastation, many child care providers closed their doors. As weeks continued, parents able to keep their children home did so, while care demands for essential personnel and out-of-home working families grew dire. With schools closed and then shifting to virtual or hybrid learning, families became more and more desperate for school-aged child care. Meanwhile, providers experienced enormous strain in remaining open or re-opening. Expedited locally-tailored solutions were needed both to intervene in the growing crisis and best deploy emergency funding to meet family and provider needs. VECF appealed to the Governor and superintendents statewide to provide more regionally-based structure, collaborative decision-making, and supports as every community struggled to discern appropriate paths. At the same time, VECF escalated supports to local-level collaboratives and leveraged on-the-ground leaders to problem-solve each region's specific and unique needs for child care supply and demand. Communities saw just how powerful – and essential – this approach can be.

A. Smart Beginnings Peer Collaborations for COVID Child Care

In late March 2020, VECF convened a peer group of community collaboratives, each led by a Smart Beginnings partner, to share information, data, and ideas across regions and with state leaders to develop early childhood-related responses to the pandemic. Communities were able to share best practices generated to solve pandemic-related needs and connect with state leaders and national experts to collectively meet emerging needs within communities.

B. Building the Supply of Emergency School-Aged Child Care

During the November 2020 special legislative session, the General Assembly recognized the needs of struggling families and providers by appropriating both state and federal funding to address child health and well-being and parent ability to work. With \$16.6 million in funding through VDSS, VECF was tasked with building the supply of safe learning spaces for children ages 3 through 12 years. Building from existing Smart Beginnings within these communities, VECF and partners created 4,500 safe learning “slots” for families with school-age children who direly needed access to affordable child care (December 2020 through June 2021). An additional \$3.27 million was later allocated to extend access through the summer months (July-September 2021).

C. Vaccine Navigation and Prioritization

During vaccine rollout, it became apparent that child care providers were not being included in vaccination events at the same level as K-12 personnel, though they were prioritized in the same category. To support access to vaccination for all interested providers, VECF advocated for and joined forces with the Governor's Office, VDH, local health departments, Smart Beginnings and other local partners to conduct intensive, culturally-sensitive education and outreach about COVID vaccination and provide a #ChildCareStrong Navigator in every locality to coordinate with health officials to ensure access to timely vaccinations for child care personnel.

Insights:



Collective efforts of both public and private sectors were required to fulfill the complex task of keeping the supply of ECCE open and safe while ensuring responsiveness to evolving family preferences and needs.

VECF mobilized in multiple ways to support communities' capacity to tap their unique local resources and relationships and to quickly leverage federal and state emergency funds necessary to meet rapidly evolving needs.

Recovery: Capacity to Adapt Saves the Day

Needs/Issues: The pandemic caught the world unprepared, and those engaged with early childhood systems were no exception. In particular, the amount of nimble flexibility and adaptiveness needed to navigate consistently changing conditions was well beyond the capacity of most public-sector response and relief organizations and systems. In many states, public agencies turned to sturdy non-profit organizations like VECF for ready capacity to nimbly serve intermediary and supportive functions when government could not.

A. Nimble Intermediary Services

While federal emergency funding came to Virginia for its child care sector, state agency leaders were frustrated by clunky legacy automated systems, which jeopardized their ability to get the stabilization relief cash to providers. Providers struggled with not only delayed payments, but also with sluggish response periods to understand the status of their applications for the funds. VECF was able to quickly build capacity to serve as third party payor and assisted with issuing CARES checks each quarter. In total, VECF issued more than 13,000 checks totaling nearly \$180 million in federal CARES funds to 4,500 child care providers.

B. Expanding Mixed Delivery Preschool Services

By shifting to a financing model based on enrollment (vs. attendance) in response to the COVID-exacerbated attendance fluctuations, the Mixed Delivery program was able to support and stabilize child care programs to remain open and serve an increasing number of children in person. In the 2020-21 school year, Mixed Delivery served 250 3- and 4-year-olds in a time of family financial strain, trauma, and shifts to virtual learning of school-based programs. The success of the model led to significant expansion in resources for 2021, increasing five-fold to nearly 1,250 slots for the 2021-22 school year to extend quality and choice to more low-income families across the Commonwealth.

C. Ready Networks

In fall of 2020, in response to rising family demand for smaller care and educational settings for their children, VECF launched an initiative to support access to home-based and small-center options for families, including coordinators to support providers in accessing tools and supports for business operations, quality improvement, and streamlined marketing and communications with families. Beginning in three regions - Hampton Roads, Greater Richmond, and Southwest Virginia - Ready Networks aim to partner with providers and provide access to the professional web-based platform, Wonderschool, to streamline business operations of marketing, billing, and enrollment.



Insights:

Adaptive and innovative leadership is needed and valued during challenging times.

As a sturdy public-private partner, VECF listened to the voices of those most impacted, challenged the status quo, modified and adapted practices to meet changing needs, and maintained a solution-focused mindset.

Transformation: From Disruption to Opportunity

Needs/Issues: Every aspect of the ECCE system frailties became magnified as a result of the pandemic. While exacerbated, these issues were not new. Amid the chaos, understanding the system’s long-standing shortfalls, and seeing what was unfolding, VECF’s President and other ECCE leaders across the country began a new conversation — setting the vision for a complete system overhaul. These conversations aimed to build a new system that worked for everyone engaged in and benefiting from it - one with equity at the center, not in the margins. To get there, it became crystal clear we must act now, engage more inclusively, invest deeply, and challenge our every assumption and established structure.

A. Back to Work Task Force

VECF’s President, supported by VECF’s Board Chair, initiated Back to Work Virginia, a blue-ribbon task force charged with creating an assertive strategic plan with recommendations for structural shifts and improved policies and practices to re-vision Virginia’s child care industry as we return to work and rebuild our economy. Between May-October 2020, the task force engaged in six informative sessions exploring workforce, child care policy, and promising practices. From these sessions, the task force formed a shared commitment to build back better and to make a bold promise of quality child care for all Virginia families by 2030 with this assertion: “It is time to rebuild, from the ground up, how we will support a more resilient child care sector, seizing on the lessons of this crisis to re-conceptualize delivery of this essential public and private good.”

B. Virginia Promise Partnership

In December 2020, the Back to Work Task Force announced the formation of the Virginia Promise Partnership, a coalition of thirty leading organizations committed to working together to accomplish the 2030 access goal by developing a policy roadmap and cost estimate that ensures all Virginia families have access to quality child care by 2030 and building a statewide grassroots advocacy effort to bring focus and attention to make it happen. Right out of the gate, the Virginia Promise Partnership successfully advocated during the 2021 General Assembly for legislation that supports common-sense business practices for child care providers such as background check portability and contracts based on enrollment; temporary expansion of eligibility for child care subsidy; and a dedicated revenue stream to expand public-private, at-risk preschool services.

C. Ready Regions

While the capacity and strengths of the Smart Beginnings network were needed and accessed gratefully during this era, gaps in the network became all the more evident. Seventeen Smart Beginnings initiatives cover more than 2/3 of Virginia jurisdictions, but the pandemic exposed grave need for equitable access to early childhood opportunities for children and families in all 133 Virginia communities. VECF is seizing the opportunity stemming from the pandemic disruption to lead a competitive process to identify and create a next-generation network of regional hubs, called Ready Regions, with strengthened capacity to support early childhood success in every region of the Commonwealth.



Insights:

Though often uncomfortable, it is essential to challenge the status quo when evidence indicates there are gaps, inequities, and disparities. It is equally important to offer a vision for a better path forward and partnership to collaboratively develop solutions.

From reaching every community to advocating for a transformed child care system, VECF is committed to leading with humility - listening, learning, and acting in partnership with diverse stakeholders across the Commonwealth.

Conclusion

Throughout an unprecedented era with events still unfolding, Virginia's ECCE system faced many challenges and availed significant resources to keep children learning, families working, economies moving, and communities stable. VECF thanks our funders, partners, colleagues, front-line early childhood providers and educators, families, and community leaders for their extraordinary efforts, courage, and impacts over the past 16 months. We exit this historic era with many lessons learned and much healing to do. Many uncertainties remain, and many in our Commonwealth are struggling to recover. As a system largely sustained by women and disproportionately women of color, recovery and rebuilding will take time as historic numbers of women have left the workforce, child care providers report permanent closures, ECCE teachers exit the field for higher paying jobs, and children face gaps from trauma and learning interruptions.

As VECF reflects on this time, we take heart in the ability to leverage what we have learned in joining our partners to create a vastly improved ECCE system for Virginia's children, families, communities, and futures.

From insights learned from our efforts over the last 16 months, VECF has clarity of vision for these strategic directions and commits to:

- ▶ Establishing a statewide network of high-capacity regional hubs supporting and empowering community-driven solutions through Ready Regions
- ▶ Championing assertive and unified advocacy for equitable opportunities for early childhood success through the Virginia Promise Partnership
- ▶ Maintaining core and nimble intermediary capacity to nurture public-private partnership and foster innovation
- ▶ Shaping policies and promoting investment informed by the voices and choices of families



A Year of Rapid Change and Action

Current Events and Indicators of Need prompt Action by VECF and Partners during Governor’s State of Emergency.

3/20	<p>Governor Northam declares State of Emergency; Orders shutdown.</p> <p>VA closure of public and private K-12 and Pre-K in school settings.</p> <p>VA Dept. of Social Services (VDSS)/VA Department of Health (VDH) issues Interim Guidance for Child Care Providers limiting capacity to 10 children per space, offering COVID safety protocols, urging child care access for essential workers.</p> <p>Governor Northam extends order for school closure through end of 2020-21 school year; urges child care to prioritize children of essential workers. Joint guidance from VDSS and VA Dept of Education (VDOE) identifies early childhood care educators as essential workers.</p>	<p>VECF holds first briefing to bring State leaders and Providers together.</p>
4/20	<p>VDSS and VDOE project reduction of at least 200,000 childcare slots due to provider closures.</p> <p>With federal CARES Funds, Virginia announces \$70M to expand and widen eligibility and access to family subsidies, emergency care for essential workers, provider business continuity funds for those open as of April 30, 2020; urges schools to act as emergency childcare centers, eliminates parent co-pays for subsidy program, incentivizes providers to open or to be able to reopen post-crisis.</p>	<p>VECF issues statement pledging support of rapid response, recovery and transformation across ECCE system; creates and distributes decision-making matrix for providers for assessing considerations for opening, operating in accordance with CDC and VDSS guidelines, personnel resources, and applying for emergency funding.</p>
5/20	<p>Murders of several Black Americans prompt public outrage and urgency of addressing racial injustice.</p>	<p>VECF convenes first meeting of Back to Work Virginia Task Force.</p>
6/20	<p>Virginia announces 45% of child care centers, 83% of Family Day Homes open. Estimates ~2,300 centers remain closed – reduction of 180,000 childcare slots.</p>	<p>VECF begins to issue 991 CARES I stabilization checks to assist VDSS totaling \$9,848,050.</p>
7/20		<p>VECF issues 3,014 CARES II checks totaling \$30,145,300.</p>
9/20	<p>VDSS states 52% of child care centers and 87% of Family Day Homes open. 2,008 remain closed/reduced capacity ~153,000 slots.</p>	<p>VECF launches Ready Network in three regions.</p>
10/20		<p>VECF issues 4,337 CARES III checks totaling \$49,732,920.</p>
11/20	<p>Governor and General Assembly appropriate \$33.2M to emergency child care for school-aged children of essential personnel and at-risk households.</p>	<p>VECF begins administration of Emergency School Age Child Care initiative in eight Smart Beginnings regions. Back to Work Task Force releases recommendations; Virginia Promise Partnership is launched.</p>
12/20		
1/21	<p>Estimated 30% of VA child care lost in pandemic; unknown how many may reopen.</p>	<p>VECF Briefing: VA General Assembly Session highlights promising advances toward enrollment-based reimbursement, portable background checks.</p>
2/21	<p>VA House Joint Resolution Number 537 declares racism a public health crisis.</p>	
3/21	<p>American Rescue Plan passed; Virginia to receive ~\$800 million for Child Care Relief Funding; historic one-time investment in early child care system to address family affordability, childcare workforce recovery, and systemic improvements.</p> <p>VDSS states that “remain closed/reduced capacity” is at 43,000 slots.</p>	<p>VECF issues 4,626 CARES IV checks totaling \$89,506,896.</p> <p>VECF partners with Governor’s Office, VDH, local health departments, Smart Beginnings and other local partners to support communications and access to vaccinations for child care providers through #ChildCareStrong initiative.</p>
6/21	<p>Governor Northam lifts state of emergency order in effect since March 2020.</p>	<p>VECF announces Ready Regions initiative.</p>



Virginia Early Childhood Foundation

Financial Statements

June 30, 2021 and 2020

Virginia Early Childhood Foundation

Table of Contents

	<i>Page</i>
<i>Independent Auditor's Report</i>	1 - 2
<i>Financial Statements</i>	
<i>Statements of financial position</i>	3
<i>Statement of activities - June 30, 2021</i>	4
<i>Statement of activities - June 30, 2020</i>	5
<i>Statement of functional expenses - June 30, 2021</i>	6
<i>Statement of functional expenses - June 30, 2020</i>	7
<i>Statements of cash flows</i>	8
<i>Notes to financial statements</i>	9 - 16
<i>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</i>	17 - 18
<i>Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance</i>	19 - 20
<i>Schedule of Expenditures of Federal Awards</i>	21 - 22
<i>Notes to Schedule of Expenditures of Federal Awards</i>	23
<i>Schedule of Findings and Questioned Costs</i>	24 - 25
<i>Summary Schedule of Prior Audit Findings</i>	26

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 statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations 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 a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021 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 solely 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 24, 2021

Virginia Early Childhood Foundation

Statements of Financial Position June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 3,010,993	\$3,569,751
Cash held for others	4,385,593	-
Grants receivable	2,969,572	1,544,084
Contributions receivable	76,980	29,789
Other receivables	17,515	14,812
Prepaid expenses	23,585	38,470
Deposit	3,767	3,767
Property and equipment, net	3,767	6,394
Total assets	\$ 10,491,772	\$5,207,067
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 504,504	\$ 303,800
Grants payable	2,489,843	811,857
Amounts held for others	4,385,593	-
Accrued expenses	110,358	73,428
Line of credit	730,000	200,000
Refundable advance	-	211,765
Total liabilities	8,220,298	1,600,850
Net Assets		
Without donor restrictions	816,276	887,095
With donor restrictions	1,455,198	2,719,122
Total net assets	2,271,474	3,606,217
Total liabilities and net assets	\$ 10,491,772	\$5,207,067

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Activities ***Year ended June 30, 2021***

	Without Donor	With Donor Restrictions	Total
Revenues and Other Support			
Direct public support	\$ 329,124	\$ 320,000	\$ 649,124
Government grants	-	31,577,111	31,577,111
Payroll Protection Program forgiveness	211,765	-	211,765
Interest income	1,149	-	1,149
Net assets released from restrictions	33,161,035	(33,161,035)	-
Total revenues and other support	33,703,073	(1,263,924)	32,439,149
Expenses			
Program services	33,528,769	-	33,528,769
Fundraising	63,510	-	63,510
Management and general	181,613	-	181,613
Total expenses	33,773,892	-	33,773,892
Change in net assets	(70,819)	(1,263,924)	(1,334,743)
Net assets, beginning	887,095	2,719,122	3,606,217
Net assets, ending	\$ 816,276	\$ 1,455,198	\$ 2,271,474

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 Functional Expenses Year Ended June 30, 2021

	Programs	Management and General	Fundraising	Total
Salaries	\$ 1,141,380	\$ 126,812	\$ 48,798	\$ 1,316,990
Payroll taxes	82,692	8,602	3,490	94,784
Employee benefits	172,173	3,496	7,976	183,645
Total salaries and related expenses	1,396,245	138,910	60,264	1,595,419
Advertising	-	110	-	110
Contractual and professional services	1,871,508	14,776	-	1,886,284
Depreciation	4,221	379	142	4,742
Dues and subscriptions	73,763	2,045	-	75,808
Grants to others	30,058,167	-	-	30,058,167
Insurance	6,210	558	209	6,977
Interest expense	3,628	326	122	4,076
Lobbying	-	14,000	-	14,000
Professional development	6,933	1,342	-	8,275
Rent	74,488	6,695	2,511	83,694
Supplies, postage, and other	25,828	1,773	-	27,601
Telephone	7,778	699	262	8,739
Total expenses	\$33,528,769	\$ 181,613	\$ 63,510	\$33,773,892

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

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flow from Operating Activities		
Change in net assets	\$(1,334,743)	\$ 33,262
 <i>Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities</i>		
Depreciation	4,742	5,660
Changes in operating assets		
Grants receivable	(1,425,488)	(188,186)
Contributions receivable	(47,191)	(28,590)
Prepaid expenses	14,885	(8,155)
Other receivables	(2,703)	(13,987)
Deposit	-	3,069
Changes in operating liabilities		
Accounts payable	200,704	(178,718)
Grants payable	1,677,986	179,224
Accrued expenses	36,930	6,639
Refundable advance	(211,765)	211,765
Net cash and cash equivalents provided by (used in) operating activities	(1,086,643)	21,983
 Cash Flow from Investing Activities		
Purchase of property and equipment	(2,115)	(1,493)
 Net cash and cash equivalents (used in) investing activities	(2,115)	(1,493)
 Cash Flow from Financing Activities		
Net advances on line of credit	530,000	200,000
Net cash and cash equivalents provided by financing activities	530,000	200,000
 Net change in cash and cash equivalents	(558,758)	220,490
Cash and cash equivalents, beginning	3,569,751	3,349,261
Cash and cash equivalents, ending	\$ 3,010,993	\$ 3,569,751
 Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 4,076	\$ 6,732

See Notes to Financial Statements

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020. The tax years of 2018 to 2020 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, 2021 and 2020.

Advertising costs

Advertising costs are expensed as incurred and amounted to \$110 and \$165, respectively, for the years ended June 30, 2021 and 2020.

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, 2021 and 2020

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.

Recently issued accounting standards

The Foundation has adopted Accounting Standards Update No. 2014-09-*Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. Analysis of provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Note 2. Cash Held for Others

The Commonwealth of Virginia Department of Social Services has contracted with the Foundation to assist in the distribution of funds pursuant to the CARES Act Disbursement Assistance program to support child care providers in Virginia. This agreement is considered an agency relationship and as such any amounts that are not disbursed are reflected as an asset and liability for the Foundation because it is the property of the Commonwealth of Virginia Department of Social Services.

Note 3. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of June 30, 2021 and 2020 on the statements of financial position include the following major classifications:

	2021	2020
Equipment	\$ 25,566	\$ 39,357
	25,566	39,357
Less accumulated depreciation	(21,799)	(32,963)
	<u>\$ 3,767</u>	<u>\$ 6,394</u>

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Note 4. Line of Credit

The Foundation has a revolving line of credit with a maximum borrowing amount of \$1,500,000. The line of credit is secured by the Foundation's assets. There are no financial covenants required by the lending institution. Interest accrues on the outstanding balance at a rate of 3.25%. The line of credit matures on March 1, 2022. At June 30, 2021 and 2020, the unused portion of the line of credit was \$770,000 and \$1,300,000, respectively.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Early Childhood Programs, Initiatives and Technical Assistance	<u>\$ 1,455,198</u>	<u>\$ 2,719,122</u>
	<u>\$ 1,455,198</u>	<u>\$ 2,719,122</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors and grantors as of June 30, 2021 and 2020, and are as follows:

	<u>2021</u>	<u>2020</u>
Early Childhood Programs, Initiatives and Technical Assistance	<u>\$ 33,161,035</u>	<u>\$ 11,572,134</u>
	<u>\$ 33,161,035</u>	<u>\$ 11,572,134</u>

Note 6. 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, 2021 and 2020

Note 7. 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, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	\$ 3,010,993	\$ 3,569,751
Grants receivable	2,969,572	1,544,084
Contributions receivable	76,980	29,789
Other receivables	17,515	14,812
Total financial assets	<u>6,075,060</u>	<u>5,158,436</u>
Less donor restricted funds	<u>(1,455,198)</u>	<u>(2,719,122)</u>
Amount available for general expenditures within one year	<u>\$ 4,619,862</u>	<u>\$ 2,439,314</u>

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

Note 8. 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 \$83,694 and \$84,645, respectively, for the years ended June 30, 2021 and 2020. The total future minimum rental commitment at June 30, 2021 is due as follows:

June 30, 2022	\$ 82,006
June 30, 2023	84,466
June 30, 2024	87,000
June 30, 2025	59,148
Total	<u>\$ 312,620</u>

Note 9. 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 \$70,455 and \$66,475, respectively, for the years ended June 30, 2021 and 2020.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Note 10. Economic Dependency

For the years ended June 30, 2021 and 2020, approximately 97% and 89% 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, 2021 and 2020, approximately 92% and 84% of total contributions and grants receivable, or \$2,815,500 and \$1,340,424, represents amounts due from two funding sources, respectively.

Note 11. 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% was due and payable at the time of the Small Business Administration's (SBA) measurement of possible forgiveness. The loan was to be repaid within two years from date of funding of May 4, 2020.

The Foundation 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 are considered substantially met when notified by the lender of the amount forgiven.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Note 11. COVID-19 and Payroll Protection Program Loan (continued)

The Foundation received confirmation on May 26, 2021 that the SBA approved loan forgiveness for the entire amount of the loan outstanding as of June 30, 2020, resulting in recognition of the entire amount as contribution revenue for the year ended June 30, 2021.

Note 12. Subsequent Events

Management has evaluated subsequent events through September 24, 2021, 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Virginia Early Childhood Foundation's basic financial statements, and have issued our report thereon dated September 24, 2021.

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 24, 2021

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, 2021. 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, 2021.

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 a 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 24, 2021

Virginia Early Childhood Foundation

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services				
Administration for Children and Families/ Virginia Department of Social Services				
Temporary Assistance to Needy Families (TANF)	93.558	BEN-20-140	\$ 579,565	\$ 1,250,000
Center for Disease Control and Prevention/ The Nemours Foundation				
Healthy Kids Healthy Future Technical Assistance Program	93.421	#5NU380T000304-02-00	32,402	64,885
	93.421	#5NU380T000304-03-00	26,579	101,378
Administration for Children and Families/ Virginia Department of Social Services				
CARES ACT Child Care Assistance	93.575	CCECD-21-033	1,637,060	4,000,000
School-Aged Child Care Assistance	93.575	CCECD-21-048	11,700,263	12,515,842
Child Care Development Fund (Discretionary Funds)/Virginia Quality Rating and Improvement System (QRIS)	93.575	OCED-18-113	-	293,792
Administration for Children and Families/ Virginia Department of Education				
Preschool Development Grant: Birth - Five (PDG)	93.434	90TP0039-01-00	29,010	435,460
Preschool Development Grant: Birth - Five (PDG) Renewal Year 1 and 2	93.434	90TP006701	790,343	994,125
	93.434	90TP006702	2,282,313	3,445,638
Health Resources and Services Administration Virginia Department of Health				
Maternal and Child Health Services/	93.994	B04MC32577	150,906	159,077
Developmental Screening Initiative	93.994	B04MC33873	187,410	223,708
Total Department of Health and Human Services			\$ 17,415,850	\$ 23,483,904

Virginia Early Childhood Foundation

Schedule of Expenditures of Federal Awards (continued) Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
United States Department of Education CARES ACT/Governor's Emergency Relief Fund/ Virginia Department of Education Preschool Development Grant/Educator Incentive Funds	84.425C	S425C200042	\$ -	\$ 1,183,500
Total United States Department of Education			\$ -	\$ 1,183,500
United States Department of Agriculture, Food and Nutrition Services/ Virginia Department of Social Services 50/50 SNAP E&T	10.561	BEN-20-017	\$ -	\$ 3,477
Total United States Department of Agriculture			\$ -	\$ 3,477
Total Expenditures of Federal Awards			\$ 17,415,850	\$ 24,670,881

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, 2021

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, 2021. 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, 2021**

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
84.425C	United States Department of Education, CARES ACT, Governor's Emergency Education Relief Fund, Preschool Development Grant, Educator Incentive Funds

Virginia Early Childhood Foundation

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2021

CFDA Number(s)	Name of Federal Program or Cluster
93.558	Department of Health and Human Services, Administration for Children and Families, 477 Cluster: Temporary Assistance to Needy Families
93.575	Quality Rating and Improvement System
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> 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, 2021

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*.