

VIRGINIA EARLY CHILDHOOD FOUNDATION 2022 ANNUAL REPORT TO STAKEHOLDERS



Dear VECF Stakeholders:

At the close of FY22, the Virginia Early Childhood Foundation finds itself once again in a “hinge” position of both recognizing progress made over the past year as well as forecasting what’s to come.

Regaining Footing: As the world has passed the low point of the COVID-19 era and begun to see more normal times, VECF has been both humbled and proud to continue to advance the reimagination of Virginia’s early childhood education system. Recognizing the challenges from limited access to early childhood education services and opportunities for parents to rejoin the workforce and provide for their families, VECF has continued to incubate innovation and grow the [Mixed Delivery preschool program](#). Mixed Delivery is the exemplar of Virginia’s public-private parent choice system, serving nearly 1300 children in FY22, having grown from serving 250 children in FY21, and planning to serve 2000 children (including 200 children under the age of three) in FY23.

VECF has taken the lead in ensuring on-the-ground quality supports for all publicly funded early childhood education classrooms in the Commonwealth by launching [Ready Regions](#) as the newest iteration of our Smart Beginnings network. Nine high-capacity lead agencies advance and coordinate public-private partnerships across their regional footprints with an emphatic focus on ensuring that children’s experiences in publicly funded classrooms can be game-changing. Especially with the learning setbacks faced during the pandemic, these environments and experiences are all the more important for a generation of Virginia’s youngest learners.

All of our work is grounded in a commitment to more precisely understand the needs and preferences of parents through family engagement, data collection, analysis, and research so that we can design and deliver an early childhood system that works for Virginia’s children and families.

Forecasting the Future: VECF takes seriously its role as honest broker and innovator for Virginia’s public-private early childhood system. Working with our coalition of 30+ organizational members of the [Virginia Promise Partnership](#), we have developed Virginia’s roadmap to affordable, accessible quality child care for all Virginia families by 2030. We have championed development of a cost estimate over three phases of effort to achieve the goal. As part of this role, we are committed to prudent forecasting and advocating for investments and policy priorities that Virginia must address.

Comprehensive fiscal analysis and due diligence has clarified the fiscal cliff that Virginia’s early education system will face by FY25 due to the end of the federal COVID relief funds. Navigating the cliff is the next big hurdle and opportunity as Virginia progresses in building a strong, durable early childhood system that ensures Virginia reaps a triple-bottom line from investment:

- School-ready children;
- Work-ready parents;
- Thriving communities.

Taking Care of Business: VECF and partners earn and leverage resources to yield significant return on investment. In FY22, we secured additional resources to our base appropriation by a ratio of 46:1. With overhead at only 1.5% of our annual budget, we have intentionally directed resources into communities and innovative strategies that have supported access, quality, and accountability in Virginia’s early childhood system. Please visit www.vecf.org to learn more about our efforts in FY22.

While VECF’s vantage point of learning from the past and preparing for the future brings awesome responsibilities, we are grateful that investors and regional partners continue to place their confidence in our ability to serve well. It is only in collaboration with public and private partners, investors, the Administration and General Assembly, early childhood providers and families that we will continue to make progress and succeed with our profoundly important mission and vision.

With gratitude,



Robert Hurt
Chairman

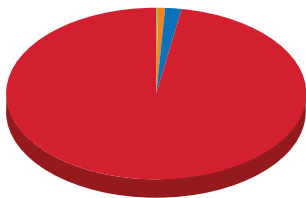


Kathy Glazer
President

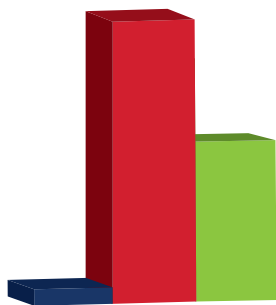


VECF's Financial Stewardship

Cash Grants & Resources for Early Childhood System Priorities Statewide	98%
Management & General	0.5%
Public Awareness/Engagement	1.3%
Fundraising	0.2%



FY22 Program Expenses
\$40,641,046



FY22 Leveraged Funds for School Readiness in Virginia
\$57,120,191
(46:1 RATIO FROM BASE APPROPRIATION)

Base Appropriation
\$1,250,000

Other Funds Leveraged by VECF and Local Initiatives
\$41,787,064

Additional Funds Leveraged by VECF for VA
\$15,333,127

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- Richard Bynum – **Vice Chairman**
PNC Bank
- Kevin Curtis – **Treasurer**
Dominion Energy
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PRESIDENT

- Kathy Glazer

Financial Information

STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

ASSETS

Current Assets

Cash & Cash Equivalents	\$2,239,752
Cash Held for Others	29,619,053
Accounts Receivable	
Grants Receivable	7,781,402
Contributions Receivable	2,379
Other Receivables	48,623
Prepaid Expenses	46,887
Other Assets	3,767
Total Current Assets	39,741,863

Property and Equipment

Furniture & Fixtures	\$43,967
Accumulated Depreciation	(26,824)
Total Property & Equipment	17,143

Total Assets	\$39,759,006
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LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	\$445,095
Grants Payable	4,671,826
Amounts Held for Others	29,619,053
Accrued Expenses	148,113
Line of Credit	2,045,210
Total Current Liabilities	36,929,297

Net Assets

Without Donor Restrictions	\$711,099
With Donor Restrictions	2,118,610
Total Net Assets	2,829,709

Total Liabilities & Net Assets	\$39,759,006
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STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

PUBLIC SUPPORT & REVENUE

PUBLIC SUPPORT

Contributions	
Individuals & Board Contributions	\$52,205
Corporations	453,500
Foundations & Organizations	545,000
Total Public Support	1,050,705

Revenue

Government Grants	\$40,148,002
Interest Revenue	574
Total Revenue	40,148,576

Total Support & Revenue	\$41,199,281
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EXPENSES

Program Services	\$40,407,680
Fundraising	46,373
Lobbying	9,700
Management & General	177,293
Total Expenses	40,641,046

Change in Net Assets	558,235
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Net Assets, Beginning	2,271,474
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Net Assets, Ending	\$2,829,709
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2022 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, 2021 and June 30, 2022.

STAKEHOLDERS (\$1 MILLION +)

US Administration for Children and Families through the Virginia Department of Social Services
Coronavirus Response and Relief Supplemental Act
Temporary Assistance to Needy Families

US Administration for Children and Families through the Virginia Department of Education
Coronavirus Response and Relief Supplemental Act
Preschool Development Grant Birth-Five

Virginia General Assembly through the Virginia Department of Education

INVESTOR (\$100,000-\$999,999)

Alliance for Early Success

Centers for Disease Control and Prevention through The Nemours Foundation

Healthy Kids Healthy Future
Technical Assistance Program

Community Foundation for a greater Richmond

William R. Kenan, Jr. Charitable Trust
Robins Foundation

US Administration for Children and Families through the Virginia Department of Education
Child Care Development Funds

US Health Resources and Services Administration through the Virginia Department of Health
Title V Maternal and Child Health Block Grant

US Administration for Children and Families through the Virginia Department of Education
Coronavirus Response and Relief Supplemental Act

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

Adiuvans

Dominion Energy

Huntington Ingalls Industries

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

The Bob and Anna Lou Schaberg Foundation

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

PNC Financial Services Corp.
Truist Bank

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

Bank of America

Mike and Mary Chinn

Paul and Tammy Koonce

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

Thomas and Nancy J. Chewning
Fund of the Community Foundation for a greater Richmond

Kevin Curtis

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Megan K. Healy and David Hallock

The Haltom Family

Bryan Hill

Hunton Andrews Kurth, LLP

Deborah Jonas

Ned W. Masee

Elizabeth and Wallace Millner

William "Biff" Rees, MD, MBA

The Ross Family Fund

Camillie and Mike Royster

Successful Innovations

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Jim and Bobbie Ukrop

BENEFACTOR (\$250-\$999)

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Ken and Lauren Hutcheson

Todd Norris

Cynthia C. Romero, MD

Shannon L. Rudisill

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Terri and Chris Ziegler

FRIEND (\$1-\$249)

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Peter Blake and Mary Blanchard

Karin and Churchill Bowles

Sharon and Rob Brager

Mollie Brooks

Richard and Evelyn Bynum

Vanessa Di Leo

The Honorable James Dyke

Emily Keenum

Jenna Martin

Daniel and Laura McGregor

Lucy Wagner Mitzner

Angela Rice

Alyson Williams

Catherine Worrell

GIFTS IN HONOR

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.



**VIRGINIA EARLY CHILDHOOD
FOUNDATION**

FINANCIAL REPORT

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Virginia Early Childhood Foundation
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Virginia Early Childhood Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Early Childhood Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Virginia Early Childhood Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Early Childhood Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Virginia Early Childhood Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Early Childhood Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Prior Period Financial Statements

The financial statements of Virginia Early Childhood Foundation as of June 30, 2021 were audited by Mitchell, Wiggins & Company, LLP, who were acquired by Brown, Edwards & Company, LLP as of November 1, 2021, and whose report dated September 24, 2021 expressed an unmodified opinion on those statements.

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 21, 2022, on our consideration of the Foundation'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 Foundation'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 the Foundation's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Petersburg, Virginia
September 21, 2022

VIRGINIA EARLY CHILDHOOD FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,239,752	\$ 3,010,993
Cash held for others	29,619,053	4,385,593
Grants receivable	7,781,402	2,969,572
Contributions receivable	2,379	76,980
Other receivables	48,623	17,515
Prepaid expenses	46,887	23,585
Deposit	3,767	3,767
Property and equipment, net	17,143	3,767
Total assets	\$ 39,759,006	\$ 10,491,772
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 445,095	\$ 504,504
Grants payable	4,671,826	2,489,843
Amounts held for others	29,619,053	4,385,593
Accrued expenses	148,113	110,358
Line of credit	2,045,210	730,000
Total liabilities	36,929,297	8,220,298
 NET ASSETS		
Without donor restrictions	711,099	816,276
With donor restrictions	2,118,610	1,455,198
Total net assets	2,829,709	2,271,474
Total liabilities and net assets	\$ 39,759,006	\$ 10,491,772

The Notes to Financial Statements are an integral part of these statements.

VIRGINIA EARLY CHILDHOOD FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Direct public support	\$ 255,705	\$ 795,000	\$ 1,050,705
Government grants and contracts	-	40,148,002	40,148,002
Interest income	574	-	574
Net assets released from restrictions	40,279,590	(40,279,590)	-
	40,535,869	663,412	41,199,281
EXPENSES			
Program services	40,407,680	-	40,407,680
Fundraising	46,373	-	46,373
Management and general	186,993	-	186,993
	40,641,046	-	40,641,046
Change in net assets	(105,177)	663,412	558,235
NET ASSETS			
Beginning	816,276	1,455,198	2,271,474
Ending	\$ 711,099	\$ 2,118,610	\$ 2,829,709

The Notes to Financial Statements are an integral part of this statement.

VIRGINIA EARLY CHILDHOOD FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Direct public support	\$ 329,124	\$ 320,000	\$ 649,124
Government grants and contracts	-	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
Ending	\$ 816,276	\$ 1,455,198	\$ 2,271,474

The Notes to Financial Statements are an integral part of this statement.

VIRGINIA EARLY CHILDHOOD FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,218,765	\$ 105,355	\$ 35,199	\$ 1,359,319
Payroll taxes	91,735	4,608	2,539	98,882
Employee benefits	188,708	1,684	5,635	196,027
Total salaries and related expenses	1,499,208	111,647	43,373	1,654,228
Advertising	1,519	220	-	1,739
Contractual, professional services, and other	3,794,960	30,452	-	3,825,412
Depreciation	4,573	352	101	5,026
Dues and subscriptions	164	636	-	800
Grants to others	34,918,151	-	-	34,918,151
Insurance	7,336	564	161	8,061
Interest expense	37,005	2,847	813	40,665
Lobbying	-	9,700	-	9,700
Meetings and events	36,681	1,838	-	38,519
Professional development	1,921	5,764	-	7,685
Rent	76,783	5,906	1,688	84,377
Repairs and maintenance	2,642	203	58	2,903
Supplies, postage, and other	16,776	15,380	-	32,156
Telephone	8,157	627	179	8,963
Travel	1,804	857	-	2,661
Total expenses	<u>\$ 40,407,680</u>	<u>\$ 186,993</u>	<u>\$ 46,373</u>	<u>\$ 40,641,046</u>

The Notes to Financial Statements are an integral part of this statement.

VIRGINIA EARLY CHILDHOOD FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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, professional services, and other	1,944,347	16,695	-	1,961,042
Depreciation	4,221	379	142	4,742
Dues and subscriptions	924	126	-	1,050
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	<u>\$ 33,528,769</u>	<u>\$ 181,613</u>	<u>\$ 63,510</u>	<u>\$ 33,773,892</u>

The Notes to Financial Statements are an integral part of this statement.

VIRGINIA EARLY CHILDHOOD FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ 558,235	\$ (1,334,743)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,026	4,742
Changes in operating assets:		
Grants receivable	(4,811,830)	(1,425,488)
Contributions receivable	74,601	(47,191)
Prepaid expenses	(23,302)	14,885
Other receivables	(31,108)	(2,703)
Changes in operating liabilities:		
Accounts payable	(59,409)	200,704
Grants payable	2,181,983	1,677,986
Accrued expenses	37,755	36,930
Refundable advance	-	(211,765)
	<u>(2,068,049)</u>	<u>(1,086,643)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(18,402)	(2,115)
	<u>(18,402)</u>	<u>(2,115)</u>
FINANCING ACTIVITIES		
Net advances on line of credit	1,315,210	530,000
	<u>1,315,210</u>	<u>530,000</u>
Net change in cash and cash equivalents	(771,241)	(558,758)
CASH AND CASH EQUIVALENTS		
Beginning	3,010,993	3,569,751
Ending	<u>\$ 2,239,752</u>	<u>\$ 3,010,993</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 40,665</u>	<u>\$ 4,076</u>

The Notes to Financial Statements are an integral part of these statements.

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 stipulations. 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, 2022 and 2021.

(Continued)

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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.

(Continued)

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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, 2022 and 2021. 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).

Advertising costs

Advertising costs are expensed as incurred and amounted to \$1,739 and \$110, respectively, for the years ended June 30, 2022 and 2021.

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.

(Continued)

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 U.S. GAAP.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

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 and with the Virginia Department of Education and the Foundation to assist with distribution of Child Care Stabilization grants funded by the American Rescue Plan Act to support child care providers in Virginia. These agreements are 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 Education.

Note 3. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Equipment	\$ 43,967	\$ 25,566
	43,967	25,566
Less accumulated depreciation	<u>(26,824)</u>	<u>(21,799)</u>
	<u>\$ 17,143</u>	<u>\$ 3,767</u>

(Continued)

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Line of Credit

The Foundation has a revolving line of credit with a maximum borrowing amount of \$3,000,000. 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 5.25%. The line of credit matures on December 1, 2022. At June 30, 2022 and 2021, the unused portion of the line of credit was \$954,790 and \$770,000, 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:

	2022	2021
Early Childhood Programs, Initiatives, and Technical Assistance	\$ 2,118,610	\$ 1,455,198
	\$ 2,118,610	\$ 1,455,198

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

	2022	2021
Early Childhood Programs, Initiatives, and Technical Assistance	\$ 40,279,590	\$ 33,161,035
	\$ 40,279,590	\$ 33,161,035

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.

(Continued)

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 are as follows:

	2022	2021
Cash and cash equivalents	\$ 2,379,752	\$ 3,010,993
Grants receivable	7,781,402	2,969,572
Contributions receivable	2,379	76,980
Other receivables	48,623	17,515
Total financial assets	10,212,156	6,075,060
Less donor restricted funds	(2,118,610)	(1,455,198)
Amount available for general expenditures within one year	\$ 8,093,546	\$ 4,619,862

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 \$84,377 and \$83,694, respectively, for the years ended June 30, 2022 and 2021. The total future minimum rental commitment at June 30, 2022 is due as follows:

June 30, 2023	\$ 84,466
June 30, 2024	87,000
June 30, 2025	59,148
	\$ 230,614

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 \$65,578 and \$70,455, respectively, for the years ended June 30, 2022 and 2021.

(Continued)

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Economic Dependency

For the years ended June 30, 2022 and 2021, approximately 96% and 97%, respectively, 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, 2022 and 2021, approximately 98% and 92% of total contributions and grants receivable, or \$7,655,500 and \$2,815,500, 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 Small Business Administration's (SBA) 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 SBA's 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.

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 21, 2022, 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, 2022, 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 21, 2022.

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) as a basis for designing 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Petersburg, Virginia
September 21, 2022



**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, 2022. 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, 2022.

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.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Petersburg, Virginia
September 21, 2022

VIRGINIA EARLY CHILDHOOD FOUNDATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. 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	\$ 782,018	\$ 1,250,000
Center for Disease Control and Prevention/ The Nemours Foundation				
Healthy Kids Healthy Future Technical Assistance Program	93.421	#5NU380T000304-02-00	-	10,343
	93.421	#5NU380T000304-03-00	47,202	48,797
	93.421	#6NU380T000304-04-01	16,340	88,010
CCDF Cluster				
Administration for Children and Families/ Virginia Department of Social Services				
School-Aged Child Care Assistance	93.575	CCECD-21-033	2,652,320	2,835,000
School-Aged Child Care Assistance	93.575	BEN-22-052	338,041	519,158
Administration for Children and Families/Virginia Department of Education				
Child Care Development Fund (Discretionary Funds)/Virginia Quality Rating and Improvement (QRIS)	93.575	OCED-18-113	-	306,750
Coronavirus Response ad Relief Supplemental/Preschool Development Grant Educator Inventive	93.575	ECEI-FY22-00778	-	1,885,600
CCDF Cluster				
			<u>2,990,361</u>	<u>5,546,508</u>
Administration for Children and Families/ Virginia Department of Education				
Preschool Development Grant: Birth – Five (PDG) Renewal Year 2 and 3	93.434	90TP006702	1,608,452	2,055,720
	93.434	90TP006703	4,084,871	7,890,852
Health Resources and Services Administration Virginia Department of Health				
Maternal and Child Health Services Developmental Screening Initiative	93.994	706AS932852	126,822	147,915
Maternal and Child Health Federal Consolidated Program	93.110	706AS932852	<u>226,487</u>	<u>260,715</u>
Total Department of Health and Human Services			<u>9,882,553</u>	<u>17,298,860</u>
Total Expenditures of Federal Awards			<u>\$ 9,882,553</u>	<u>\$ 17,298,860</u>

See Notes to Schedule of Expenditures of Federal Awards.

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

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, 2022. 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.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Section I: Summary of Auditors' Results

Financial statements

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

Unmodified

Internal control over financial reporting:

Are any material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal awards

Internal control over major federal programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to federal awards? _____ Yes X No

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal 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 (PDG) Renewal/Educator Incentive

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

VIRGINIA EARLY CHILDHOOD FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

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*.