



Virginia Early Childhood Foundation

Financial Statements

June 30, 2017

Virginia Early Childhood Foundation

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Early Childhood Foundation (VECF), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2017, 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.

Mitchell Wiggins

Petersburg, Virginia
September 25, 2017

Virginia Early Childhood Foundation

Statement of Financial Position

June 30, 2017

Assets

Cash and cash equivalents	\$ 3,566,210
Grants receivable	301,220
Contributions receivable	154,200
Other receivables	93,395
Prepaid expenses	17,843
Deposit	3,767
Property and equipment, net	3,904
Total assets	<u>\$ 4,140,539</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 95,806
Grants payable	681,487
Accrued expenses	42,795
Total liabilities	<u>820,088</u>

Net Assets

Unrestricted	1,241,072
Temporarily restricted	2,079,379
Total net assets	<u>3,320,451</u>

Total liabilities and net assets	<u>\$ 4,140,539</u>
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See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Activities Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Direct public support	\$ 337,054	\$ 478,000	\$ 815,054
Government grants	-	4,295,967	4,295,967
Interest income	1,607	-	1,607
Net assets released from restrictions	3,838,404	(3,838,404)	-
Total revenues and other support	4,177,065	935,563	5,112,628
Expenses			
Program services	3,745,490	-	3,745,490
Fundraising	32,079	-	32,079
Management and general	77,621	-	77,621
Total expenses	3,855,190	-	3,855,190
Change in net assets	321,875	935,563	1,257,438
Net assets, beginning	919,197	1,143,816	2,063,013
Net assets, ending	\$ 1,241,072	\$ 2,079,379	\$ 3,320,451

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Functional Expenses Year Ended June 30, 2017

	Programs	Management and General	Fundraising	Total
Salaries	\$ 779,925	\$ 46,672	\$ 17,934	\$ 844,531
Payroll taxes	58,891	3,524	1,354	63,769
Employee benefits	143,599	8,721	1,456	153,776
Total salaries and related expenses	982,415	58,917	20,744	1,062,076
Advertising	25	220	-	245
Contractual and professional services	578,513	1,705	7,816	588,034
Depreciation	1,226	56	111	1,393
Dues and subscriptions	7,840	3,136	2,438	13,414
Grants to others	1,801,787	-	-	1,801,787
Insurance	3,491	159	317	3,967
Lobbying	6,779	-	-	6,779
Meetings and events	76,229	2,140	-	78,369
Miscellaneous	-	416	-	416
Professional development	7,607	-	-	7,607
Rent	42,501	4,984	-	47,485
Repairs and maintenance	10,349	2,504	653	13,506
Subrecipient awards	170,741	-	-	170,741
Supplies and postage	11,009	2,274	-	13,283
Telephone	7,931	1,095	-	9,026
Travel	37,047	15	-	37,062
Total expenses	\$ 3,745,490	\$ 77,621	\$ 32,079	\$ 3,855,190

See Notes to Financial Statements

Virginia Early Childhood Foundation

Statement of Cash Flows Year Ended June 30, 2017

Cash Flow from Operating Activities	
Changes in net assets	\$ 1,257,438
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>	
Depreciation	1,393
<i>Changes in operating assets</i>	
Grants receivable	(144,042)
Contributions receivable	39,537
Grant advance	4,989
Prepaid expenses	(6,111)
Other receivables	(93,395)
<i>Changes in operating liabilities</i>	
Accounts payable	35,542
Grants payable	544,245
Accrued expenses	6,424
Net cash provided by operating activities	<u>1,646,020</u>
Cash Flow from Investing Activities	
Purchase of property and equipment	(4,611)
Net cash (used in) investing activities	<u>(4,611)</u>
Net change in cash and cash equivalents	1,641,409
Cash and cash equivalents, beginning	<u>1,924,801</u>
Cash and cash equivalents, ending	<u>\$ 3,566,210</u>

See Notes to Financial Statements

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2017

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:

Method of accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification Topic (ASC) 958 Not-for-Profit Entities. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets are those which are not restricted by donors and are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Directors to support the Foundation's purpose and operations.

Temporarily restricted net assets

Temporarily restricted net assets are those which are subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When the restriction is met in the same period as the contribution is received, the contribution is recorded as unrestricted for financial statement purposes.

Permanently restricted net assets

Permanently restricted net assets are those which are subject to donor imposed stipulations that are maintained permanently by the Foundation to use all or part of the income earned on any related investments for general or specific purposes. The Foundation had no permanently restricted net assets as of June 30, 2017.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

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, 2017.

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 temporarily restricted net asset 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, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statement of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in unrestricted net assets.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 year ended June 30, 2017. 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, 2017. The tax years of 2014 to 2016 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 year ended June 30, 2017.

Advertising costs

Advertising costs are expensed as incurred and amounted to \$245 for the year ended June 30, 2017.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

In-kind contributions/expenses

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

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

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

Note 2. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of June 30, 2017 on the statement of financial position include the following major classifications:

Equipment	\$ 23,844
	<u>23,844</u>
Less accumulated depreciation	(19,940)
	<u>\$ 3,904</u>

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2017:

Early Childhood Programs, Initiatives and Technical Assistance	\$ 2,079,379
	<u>\$ 2,079,379</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors and grantors as of June 30, 2017 and are as follows:

Early Childhood Programs, Initiatives and Technical Assistance	\$ 3,838,404
	<u>\$ 3,838,404</u>

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2017

Note 4. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been statistically allocated among the programs and supporting services benefited. Expenses that relate to a specific program or supporting service are allocated directly.

Note 5. Lease Commitments

The Foundation leases office space in Richmond, Virginia under a five-year agreement that expires in October 2019. Total rental expense under this lease agreement was \$47,485 for the year ended June 30, 2017. The total future minimum rental commitment at June 30, 2017 is due as follows:

June 30, 2018	\$ 48,910
June 30, 2019	50,377
June 30, 2020	16,957
	<u>\$ 116,244</u>

In addition to the above lease, the Foundation leases a copier machine for \$313 a month on a month-to-month basis. Total rental expense under this lease agreement was \$389 for the year ended June 30, 2017.

Note 6. 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 \$48,320 for the year ended June 30, 2017.

Note 7. Related-Party Transactions

The Foundation contracted with a company for lobbying and education activities, in which a board member is a partner. The Foundation followed protocol outlined in its conflict of interest policy, to ensure that there was no conflict of interest regarding these services. As of June 30, 2017, total costs for services rendered were \$45,000.

Virginia Early Childhood Foundation

Notes to Financial Statements

June 30, 2017

Note 8. Economic Dependency

For the year ended June 30, 2017, approximately 74% of total revenues and other support came from two government 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 year ended June 30, 2017, approximately 84% of total contributions and grants receivable, or \$428,016, represents amounts due from four funding sources.

Note 9. Subsequent Events

Management has evaluated subsequent events through September 25, 2017, the date which the financial statements were available for issue.