CHILDREN'S VILLAGE

REVENUES

- Pre-K Counts **(5.1%)**
- CCW subsidy **(31.0%)**
- Head Start **(15.5%)**
- CACFP **(7.3%)**
- Private pay **(18.6%)**
- Other grants & revenue **(22.5%)**
- Publicly-funded **(58.9 %)**

$6,154,002

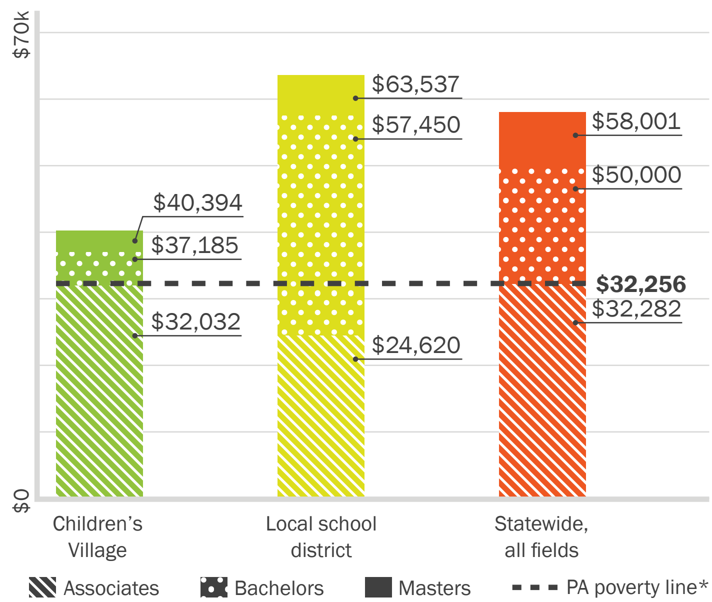
EXPENSES

- Salaries **(59.1%)**
- Benefits **(10.5%)**
- Facilities & equipment **(13.1%)**
- Supplies **(7.1%)**
- Other **(10.2%)**
- Personnel-related **(69.6%)**

$5,630,008

450	68	1
CHILDREN	STAFF	SITES

SALARY COMPARISONS



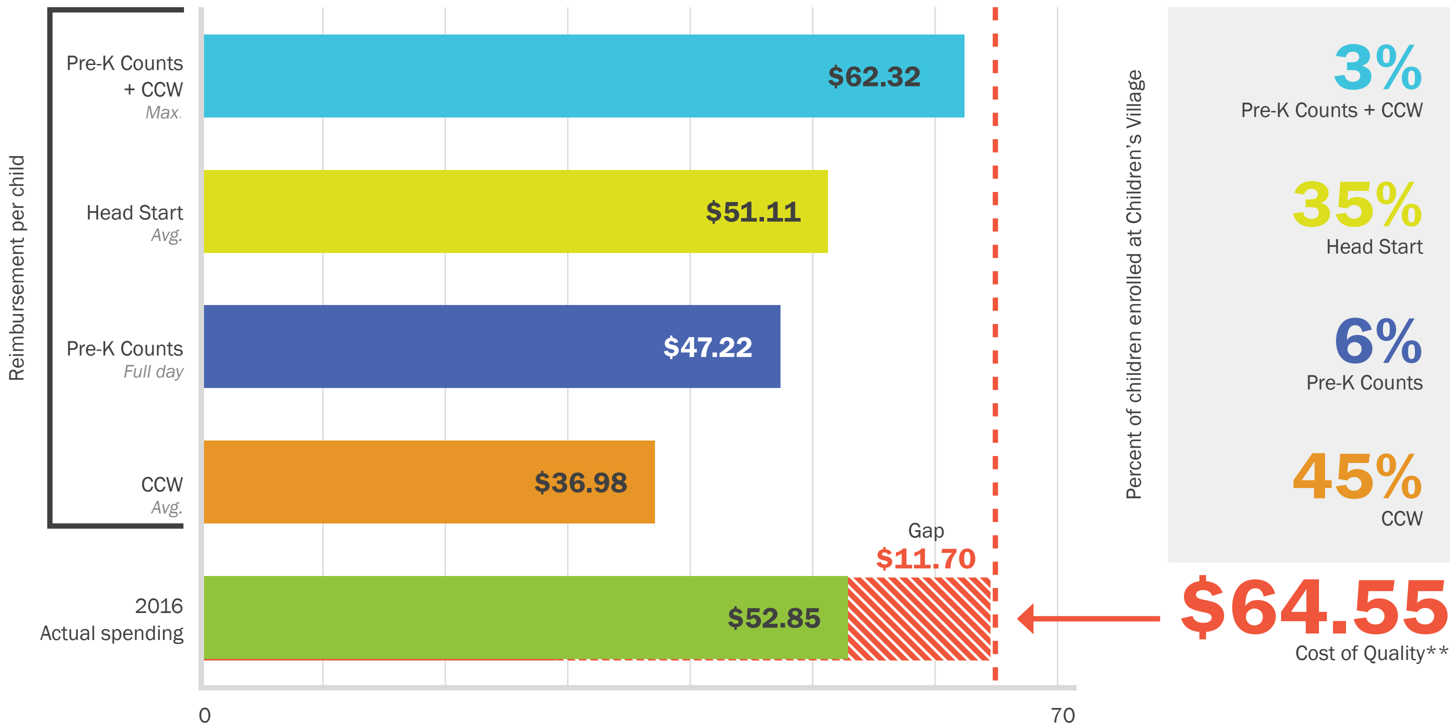
Children's Village has served children and families in the diverse and ever-changing community around Philadelphia's Chinatown since 1976. Many are immigrants, drawn to jobs in restaurants and retail nearby. As director for the last 29 years, Mary Graham has made it a priority to engage those families, adapting programs and hiring staff to communicate in their languages and outfitting her classrooms with art and books that reflect the young learners' diversity.

Serving students from disadvantaged backgrounds, many of whom are learning English, is part of Children's Village's mission. It's also expensive. The center employs a librarian, a psychologist, and five family services staff members to provide the additional supports that students and parents need. None of that would be possible, Graham acknowledges, without funding from Pre-K Counts and Head Start. As she's fond of pointing out, child care subsidy reimbursement rates provide less funding per hour, per kid, than it costs to park your car in Center City.

Though never formally trained in business or accounting, Graham has become somewhat of a guru when it comes to braiding funding from public programs to support high-quality care. She even teaches a class for other center directors, helping them to better understand their own costs and to maximize available revenue by using child care subsidy as a "wrap around" to support the hours of care before and after Pre-K Counts and Head Start. She admits that the reporting requirements are substantial and require information management systems to input data and allocate everything across multiple programs, but she also thinks it's worth it. To ease the burdens associated with compliance, Graham has hired a full-time person to manage the data entry. It's a solution that costs less than paying teachers overtime to input their own data and allows them to focus more completely on their kids and classrooms.

Despite Graham's extraordinary leadership, Children's Village still struggles to make ends meet. In an industry where all revenues are dependent on daily enrollment, finances are inherently difficult to predict and manage.

DAILY REIMBURSEMENT RATES VS. COST OF QUALITY



*Represents SNAP eligibility for family of three in PA

**Estimate includes cost of wages increases competitive to local school districts and achieving NAECY-recommended ratios

Graham recalls that in 2013, she and her board were thrilled to end the year with a fund balance of over $22,000. However, their excitement quickly evaporated, when, over the course of one week in February 2014, they lost $30,000 in anticipated state funding when excessive snowfall forced them to shut their doors for three days. "Those three days without subsidy payments swallowed up our entire annual fund balance," Graham explains. "I still had to pay my teachers their salaries, I still had to pay my rent. There was no other way to make up for that loss of anticipated revenue."

Last year, Children's Village managed to end the year with a healthy fund balance, equivalent to roughly one and a half months of operating expenses. Graham would like to double that in order to comport with industry best practices and feel more secure, but she says that's not her first priority. "The first sacrifice we all make when reimbursement does not cover our real cost of care is in compensation," she explains. "It's not right."

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Graham pays her staff better than most and offers full medical insurance and a 401K, but her average salary for teachers with bachelor's degrees is still almost $20,000 less than the salary at the School District of Philadelphia. "My teachers deserve parity with public school teachers with the same credentials, but in order to do that, I would need to raise an additional $1.3 million a year."

"Where would that money come from?" she asks. "Not from the families who are already struggling to get by." Calculator in hand, Graham does the math herself, "The state would need to raise the subsidy rates by almost 80%!"