



ANNUAL REPORT FISCAL YEAR 2009

BEST RESEARCH



BEST PRACTICES



BEST RESULTS



BEST INVESTMENTS

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## Leadership Letter

### *April 2010*

*MELF's Mission: To recommend cost-effective strategies to prepare children for success in kindergarten.*



The Minnesota Early Learning Foundation (MELF) has accomplished a lot in its short history. In the years leading up to 2009, we successfully researched, built, and launched pilot programs designed to answer questions that would get us closer to achieving our mission. Over the past year, we turned the corner from an organization building and operating programs to one reflecting on what we are learning and how to shape those learnings into policy recommendations. Throughout the entire process, we have maintained a laser focus on what will work best for parents and kids.

In this annual report we share highlights of evaluation results from our flagship pilots, Parent Aware and the Saint Paul Early Childhood Scholarship Program. We also offer an illustration of Minnesota's current early childhood policy landscape, a fragmented, complicated system that only results in 50% of kids being ready for kindergarten. As we move toward our 2011 sunset, our policy recommendations will be influenced by research and evaluation results as much as they are guided by our vision of the type of system Minnesota children deserve.

We envision a simple system that is based on what we know is necessary for any market to function—reliable, useful information and the resources necessary to act on that information. MELF's goal is a system where all families have the information they need to select high-quality early learning programs and the resources necessary to enroll their children in those programs. MELF's research is providing a roadmap for how to make that information and access available to all Minnesota families, and we are well-positioned to use that roadmap as a catalyst for real change.

Research can guide our recommendations for system design and implementation, but only our mindfulness can ensure that parents and kids don't get lost in the process. In the coming year, we will continue to rely on your strong support to make sure that we do the best we can for Minnesota families.

Sincerely,

**Brad Anderson**

Vice Chairman, Best Buy Co., Inc.  
Board Chair, MELF

**Duane Benson**

Executive Director, MELF

## *MELF Closes in on Fundraising Goal*

With the help of 26 foundations, 12 businesses, 43 individuals, and zero governmental entities, MELF is pleased to announce that we are nearing our fundraising goal of \$20 million. We're not quite there. But with just a little more help, we will be soon.

During the worst economic downturn since the Great Depression, fundraising was obviously extremely challenging. In recognition of the difficult times our donors were facing, we did scale back our original scope and fundraising goals considerably. As a result, we faced some difficult decisions about how to cut back our portfolio of projects. For instance, we eliminated funding to 500 Under 5 and the Caring for Kids Initiative, two community initiatives showing great promise for improving school readiness and supporting families especially hard hit in this economy. We also ended some of our innovation grants early, eliminated mentoring for Saint Paul Early Childhood Scholarship participants, and reduced the total number of scholarships.

While those difficult cuts were made, some expenses were higher than anticipated. For example, fewer children dropped out of the Scholarship Program than we originally anticipated. That's very encouraging news, indicating that the program design works well for families and stabilizes early education for children. But this lack of attrition did have cost implications, and so we needed to adjust our fundraising accordingly.

Still, we are very close to funding our core initiatives, which is a credit to our fantastic supporters throughout the community. Soon, we should be celebrating the end of the fundraising phase and shifting our entire focus to reporting research findings and making policy recommendations. It's an exciting time for MELF and its generous supporters.

*"My commitment to MELF's mission goes beyond just being a good corporate citizen. This is about preparing our future workforce. This is about real economic development. And this is also about doing the right thing for our kids."*

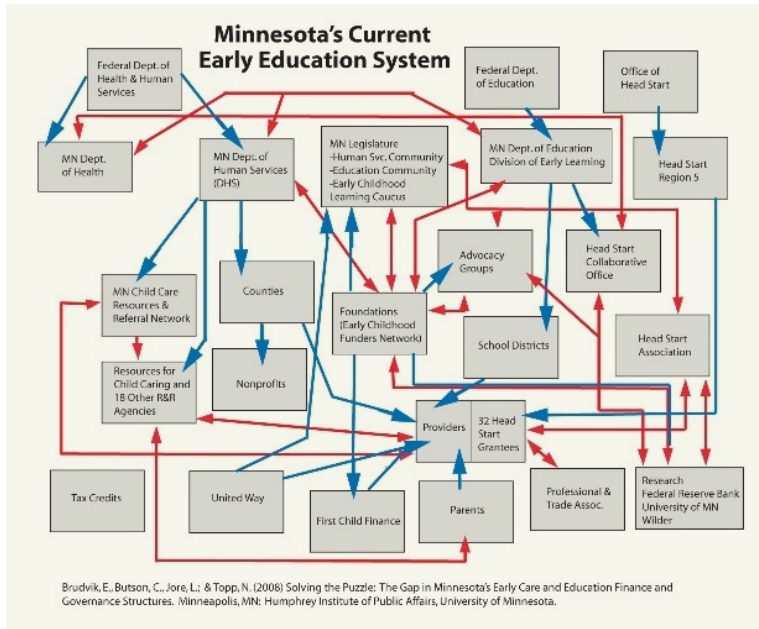
MELF Board Member  
Douglas M. Baker, Jr.,  
President and CEO, Ecolab, Inc.

*"I am so proud of our community for investing nearly \$20 million in this crucial initiative at a time when money is very hard to come by . . . This shows the strength of the idea."*

MELF Board Member Kendall J. Powell,  
CEO and Chairman of the Board,  
General Mills



## MELF Learns About Early Learning in Pilots



*Minnesota's current early education "system" is both inefficient and difficult for parents to use. In late 2010, MELF will be recommending ways to simplify the system.*

Because the business and foundation leaders that make up MELF are not directly in the early learning marketplace, MELF is well-positioned to serve as an honest broker in the discussion about how to best prepare Minnesota children for kindergarten.

Embracing that idea broker role, MELF and its partners have been methodically studying the current system, as well as new pilot approaches. Naturally, MELF will not be able to completely answer every question that exists about early learning. But MELF is already adding significantly to the body of knowledge on the issue, and those learnings will inform the policy recommendations MELF makes in late 2010 and early 2011.

Not all of the findings are available yet, but there is much the MELF Research Consortium has already learned. A partial summary of key learnings follows.

### Parent Aware

MELF's Parent Aware Quality Rating and Improvement System (QRIS) pilot began in July of 2007. Most MELF funding for Parent Aware ends in June 2010. Pilot areas include Blue Earth and Nicollet counties, the Wayzata School District, Saint Paul, and Minneapolis. Originally, the pilot only included North Minneapolis, but it was expanded to include the entire city with generous funding from Greater Twin Cities United Way and Allina Hospitals and Clinics.

Another exciting signal of support for Parent Aware came when the Minnesota Legislature voted to use federal stimulus funds to continue the pilot for an additional year. Looking toward an anticipated expansion of Parent Aware to the entire state, legislators also set stimulus money aside to help early learning programs outside the pilot areas get ready for Parent Aware. While the final evaluation won't be released until the fall of 2010, we've already learned a lot. Highlights of our findings follow.

*"I was watching kids and I was keeping them safe. Now I'm educating these kids and I'm getting them ready to go to kindergarten. ... Parent Aware came in and showed me where I could make improvements."*

Jean Lang, four-star family child care provider

- **Ratings Focusing Minnesota on Quality.** Stakeholders told evaluators that Parent Aware has brought the issue of quality to the forefront. *“You can talk about quality, but unless you have something specific to show people, providers and parents, it’s hard to relate. Parent Aware provides examples of what quality is.”*

- **Ratings Causing Providers to Improve Their Quality.**

Eighty-three percent of center-based programs and ninety percent of family child care programs were able to improve their ratings after making quality improvements. The rating system is proving to be an effective incentive for quality improvement, and many providers are showing that ongoing improvement is feasible.

- **Parent Aware Influence Is Steadily Growing.** As of December 31, 2009, 318 early learning programs—many of them center-based, but with licensed home-based programs as the fastest growing category—had current ratings. Each of these programs has demonstrated a commitment to quality by voluntarily becoming rated. Together they serve more than 20,000 of Minnesota’s young children, each of whom benefits as the quality of the program they attend increases.

- **Many Programs Now Have Incentive to Improve.** Of the fully rated programs (those with non-automatic ratings), 25% are four-star, 41% are three-star, 30% are two-star, and 4% are one-star. Each of these programs now has a powerful incentive to improve and maintain its quality.

- **Parent Aware Marketing Hits Neighborhoods.** Two hundred fifty-six providers have four-star ratings. That means that 256 early learning entrepreneurs have been given marketing packets to promote the quality of their programs to current and potential customers. This creates market pressure on non-rated or low-rated early learning entrepreneurs and prompts parents to ask programs about quality. In addition, a pilot Parent Aware radio advertising campaign showed that more parents use the ratings when they are promoted. The number of unique visitors to the Parent Aware Ratings website increased by 294% while the ads were running.

- **Parent Aware Is Building Steam.** We still have work to do in making Parent Aware the go-to shopping tool for parents searching for early learning programs. Only about 20% of parents in rated programs had heard of Parent Aware (as of fall 2008, prior to some of the outreach and marketing efforts). The proportion of eligible programs with ratings is still relatively small (16% in Saint Paul, 11% in Minneapolis, 15% in Wayzata, and 4% in Blue Earth/ Nicollet Counties) when compared with 30–50% participation in states with long-standing voluntary rating systems.



*“I think that the Parent Aware program can be one of the best things that happened to family child care.”*

Lisa Thompson,  
four-star family child care provider

- **Quality Varies, Even Within Programs.** Of the four categories of quality included as part of the ratings, the lowest ratings come in the “Teaching Materials and Strategies” and “Teacher Training” categories. It appears that providers need extra help in these areas. Overall, “Family Partnership” ratings are high and vary less than other categories. Given this, it makes sense to target improvement supports not only to the programs that need them most, but also to the areas where they will be most effective within those programs.
- **Ratings Must Evolve.** When interviewed, stakeholders conveyed clearly their feeling that ratings must continue to be assessed, validated, and improved over time. For parents to have confidence in the available ratings, we need to ensure that the ratings are strongly connected to school readiness outcomes for children. We need to do this while making the rating system as cost-effective and streamlined as possible.

*One respondent described Parent Aware as the “guide, the place that we go to look at the effective pieces” of quality and how to assess it.*

Interviews with legislators and key stakeholders, Child Trends, fall, 2009



## Saint Paul Early Childhood Scholarship Program

MELF's pilot of the market-driven approach to school readiness first proposed by economists Art Rolnick and Rob Grunewald from the Federal Reserve Bank of Minneapolis began in January 2008. The goal of the pilot is to prepare low-income three- and four-year-old children for school by empowering their parents with information and resources. Since the pilot began, nearly 650 participants have received mentoring, scholarships, or both. While we don't yet have evaluation results on the outcomes of this approach, a number of lessons are already clear.

- **Scholarship Program is Reaching High-Return Children.** The pilot is effectively reaching those MELF is describing as high-return children—children from families that are most at risk of experiencing educational, economic, and social challenges, and who therefore offer the prospect of producing the highest return-on-investment when successfully prepared for school and life. All participating children are from families with low incomes, 37% are from families speaking a language other than English at home, and 51% performed below average in language development at baseline. Finding and engaging such families is challenging, but our recruiting and retention efforts have been successful.
- **Scholarship Program Overcame Start-Up Challenges.** Initially, involving families was very challenging. For instance, transportation barriers made it difficult for parents to access high-quality programs. But now, 80% of stakeholders report that implementation is going “well” or “somewhat well.” Stakeholders also told researchers that the scholarship program is increasing community and legislative awareness about the importance of early learning and described the complexity of the current early childhood service delivery system.
- **Scholarship Parents Involved in Promoting School Readiness.** MELF research shows that efforts to get parents more involved in their child's early learning are helping. In part because of outreach to scholarship parents, participating parents are keeping books in the house, making more library visits, telling more stories to children, and talking more often to teachers about their child's accomplishments and needs.



*One parent described that she was in school and not working enough hours to be eligible for CCAP. The mother noted how much she appreciated the more flexible scholarship model because it allowed her to stay in school and to have her child attend a high-quality program at the same time. "The county is not as dedicated to helping parents and kids," she said, referring to the federal CCAP program administered by county governments.*

Parent focus group,  
SRI International, February 2010



- **Parents Select a Range of Early Learning Programs.** Parents were free to choose any type of program with a high Parent Aware rating, which indicated that it was using best practices to prepare children for kindergarten. Parents chose a wide variety of settings: center-based for-profit (31%); Head Start (30%); center-based non-profit (28%); licensed family child care (8%, an increase from 0% in 2008); and school-based programs (3%).
- **Parents Take Advantage of Scholarship Portability.** Participating parents' work and residential circumstances can change frequently, particularly during these difficult economic times. Fortunately, the scholarship can move with the parents when family circumstances warrant it, and scholarship parents are taking advantage of this option. In 2008, 90% of children were using the scholarship for programs in the pilot area, compared to 73% in 2009.
- **Scholarships Open Doors to Quality.** Parents may use scholarships in any three- or four-star Parent Aware rated program. Before receiving a scholarship, more than half of participants were not in any formal care (24% had no care outside of the home and 32% were in unlicensed care). When parents were asked why they selected their early learning program, the most common reason was quality (34%). Especially noteworthy, parents ranked program quality more frequently as a critical selection factor above both location and cost.
- **Scholarships Work Well for Families.** Parents are enthusiastic about the Scholarship Program, telling us that the program was simple to use—"it's worry-free." This is in contrast to parents' experiences with the complexity of the federal Child Care Assistance Program (CCAP), where one described the experience as "always getting cut off." Because scholarships are guaranteed once awarded, even if family circumstances change, parents noted that they were now better able to take advantage of opportunities for work and school. Parents particularly appreciated that scholarships allowed their children to attend high-quality programs for the full day, regardless of the number of hours parents work or attend school. Research tells us that continuity of care, as well as higher "doses" of high-quality programming, help boost children's school readiness.
- **Scholarships Help Increase High-Quality Programs in Area.** The number of high-quality early learning programs, those with a three- or four-star Parent Aware rating, in and near the pilot area has increased 50% since the Scholarship Program began. Total program capacity increased 33% and the vacancies in those programs increased 40%. The number of programs participating in the voluntary Parent Aware rating process increased 23% from 2008 to 2009, while the number receiving a high-quality rating increased from 85% to 94%.

## Community Grants Program

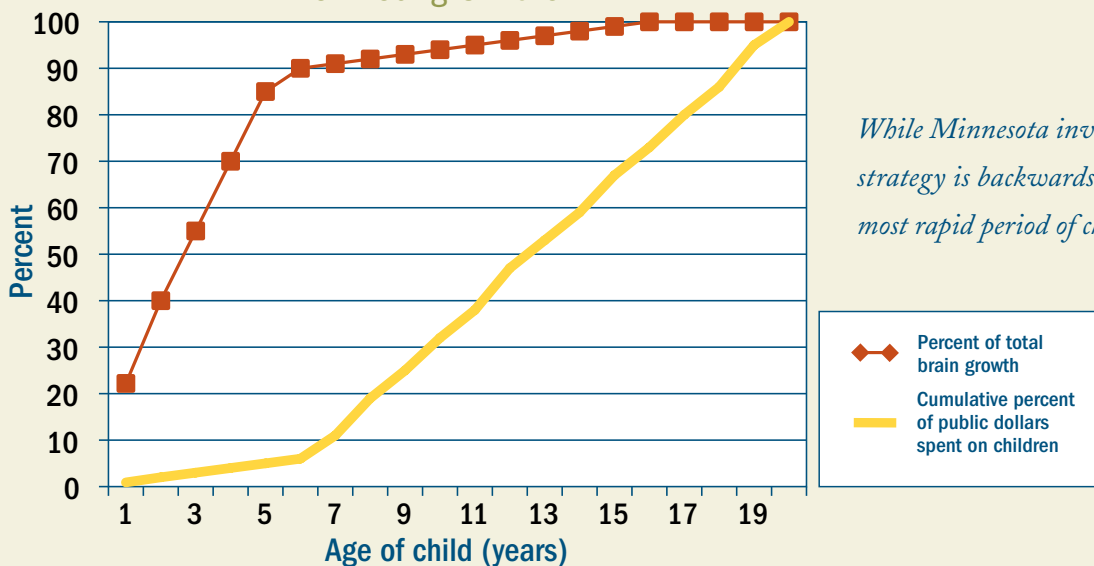
MELF funded the evaluation of 11 existing community-based programs in four general categories: Preschool/Early Education, Home Visiting, Professional Development, and Community/Systems. Some grants ended early due to funding challenges, but evaluations of all projects are complete. Results have been reported in the following categories.

- Quality Program Staff
- Curriculum Use
- Role of Professional Development
- Consistent, Multi-Tiered Assessment and Evaluation Practices
- Challenges to Evaluation
- Stable Funding
- Role of Early Childhood Community Partnerships

The full report is available on the MELF website at [www.melf.us](http://www.melf.us).



Brain Growth Compared with Public Expenditures on Young Children



*While Minnesota invests in children, the investment strategy is backwards. We under-invest during the most rapid period of child brain development.*

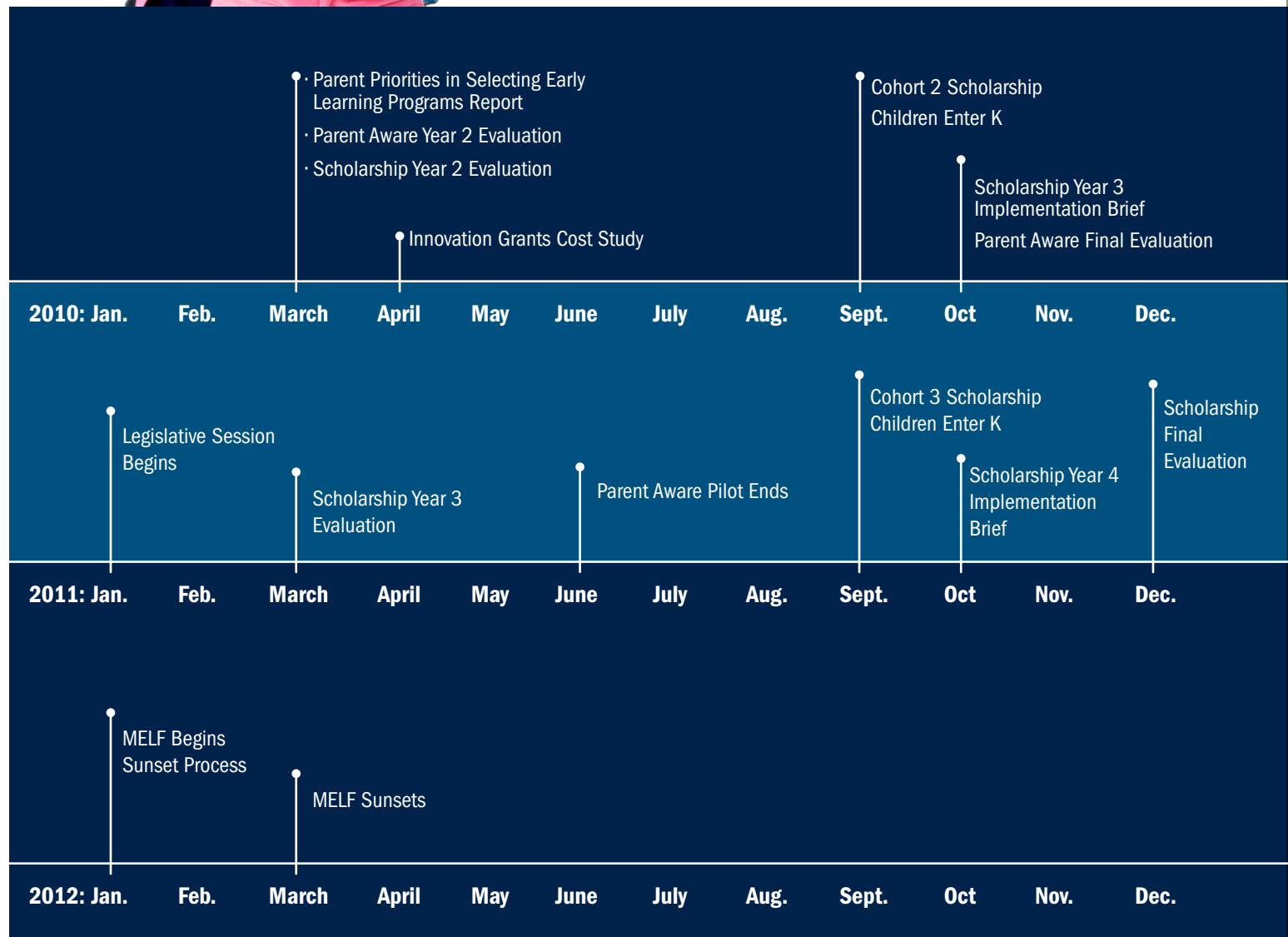
Sources: Public expenditures: RAND analysis of Table 1 in R. Haveman and B. Wolfe, "The Determinants of Children's Attainments: A Review of Methods and Findings," *Journal of Economic Literature*, Vol. 33, December 1995. Brain growth: Figure 2-4 in Purves, *Body and Brain*, Harvard University Press 1998, adapted from D.W. Thompson, *On Growth and Form*, Cambridge University Press.



## *MELF Gears Up For Final Findings and Recommendations*

As important as research is to MELF, we have always intended to go beyond research for research's sake. From our founding in 2005, the focus has been on research that will inform specific, actionable policy recommendations about how to best prepare Minnesota children for kindergarten.

Beginning in 2010 and continuing through our sunset in 2011, MELF will be releasing both research findings and recommendations. MELF partners and supporters have worked long and hard to get to this point, and it is going to be an interesting and important time. Here is an overview of what you can expect to see from MELF in 2010 and 2011.



## *MELF Thanks Donors*

In 2004, the Minnesota Early Learning Foundation didn't even exist. By 2009, it had developed into one of the foremost thought leaders on the Minnesota early learning landscape and a national leader as well. While our Board, staff, and partners have a lot to do with our successes so far, none of this would have been even remotely possible without our generous financial supporters. We offer special thanks to The McKnight Foundation for creating a \$350,000 challenge grant fund that matched, dollar for dollar, grants made by other donors between September and December of 2009. Pledges made in 2009, by the individuals and organizations below, totaled nearly \$5.4 million.



### **Corporate and Foundation Donors:**

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 Association for Corporate Growth (ACG) Minnesota  
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 Cargill Foundation  
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 The McKnight Foundation  
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 Robins, Kaplan, Miller & Ciresi Foundation for Children  
 The Rosen Family Foundation  
 U.S. Bancorp Foundation  
 Wells Fargo Foundation Minnesota

### **Individual Donors:**

Anonymous  
 Anonymous Fund of The Minneapolis Foundation  
 Mark W. Banks  
 Duane Benson  
 Jess Benson  
 Andy and Jamie McIntosh  
 Rob and Kris Johnson  
 Art and Cheri Rolnick

### **Donors via GiveMN.org:**

Duane Benson  
 Laurie Davis  
 Denise Garcia  
 Jean Taylor and Roger Griffith  
 Richard Todd and Patricia Haswell

### **Donations in recognition of:**

Art Rolnick (by the Rochester Area Foundation)

Special thanks to Fallon Worldwide for assistance with the production of radio ads for Parent Aware.

Please visit [www.melf.us](http://www.melf.us) for a complete list of MELF's donors, 2006-2009.

## Statement of Financial Position

As of December 31, 2009

| ASSETS                                | 2009*            |
|---------------------------------------|------------------|
| Cash                                  | 2,663,607        |
| Certificates of deposit               | 1,050,000        |
| Contributions receivable              | 2,305,473        |
| Prepaid expenses                      | 650              |
| Total Current Assets                  | 6,019,730        |
| Furniture and equipment               | 4,800            |
| Less disposal and depreciation        | (3,587)          |
| Total Furniture and equipment         | 1,213            |
| <b>TOTAL ASSETS</b>                   | <b>6,020,943</b> |
| <b>LIABILITIES &amp; EQUITY</b>       |                  |
| Accounts payable                      | 272,624          |
| Accrued paid leave                    | 4,157            |
| Payroll liabilities                   | 2,924            |
| Total other current liabilities       | 7,080            |
| Total Current Liabilities             | 279,705          |
| Unrestricted (retained earnings)      | 5,243,893        |
| Net income                            | 497,345          |
| Total Equity                          | 5,741,238        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>6,020,943</b> |

\*Unaudited 3/18/10—subject to review of year-end accruals by auditor.



## Statement of Activities and Changes in Net Assets

As of December 31, 2008/2009

|                                                     | 2009*       | 2008        |
|-----------------------------------------------------|-------------|-------------|
| <b>Support and Revenue</b>                          |             |             |
| Grants and contributions                            | 5,383,772   | 619,518     |
| Investment income                                   | 28,708      | 58,633      |
| Misc Revenue                                        |             | 360         |
| Total unrestricted support and revenue              |             | 678,511     |
| Net assets released from donor restrictions         | 5,410,480   | 1,382,757   |
| <b>Expenses</b>                                     |             |             |
| Program services                                    | 4,638,667   | 4,557,465   |
| Management and general                              | 126,435     | 137,915     |
| Fundraising                                         | 148,033     | 161,133     |
| Total unrestricted expenses                         | 4,913,135   | 4,856,513   |
| <b>Other Revenue</b>                                |             | 18          |
| Change in unrestricted net assets                   | 497,345     | (2,795,227) |
| <b>Changes in Temporarily Restricted Net Assets</b> |             |             |
| Grants and contributions                            | *           | 1,085,000   |
| Net assets released from restrictions               | *           | (1,382,757) |
| Change in temporarily restricted assets             | *           | (297,757)   |
| <b>Change in Net Assets</b>                         | 497,345     | (3,092,984) |
| Beginning of year                                   | 5,243,893   | 8,336,877   |
| End of year                                         | \$5,741,238 | \$5,243,893 |



\*Unaudited 3/18/10—subject to review of year-end accruals by auditor.  
(Audited financial statements and IRS Form 990 are available upon request.)

**Only half of Minnesota children arrive in kindergarten fully prepared to succeed, and too many never catch up. For that reason, MELF spent the past five years identifying cost-effective approaches to prepare young children for kindergarten.**

**In late 2010 and 2011, MELF will finalize research findings and recommend new approaches to achieve school readiness goals. The next two years are critically important for Minnesota's future. Stay tuned.**



**Minnesota Early Learning Foundation**  
**2021 East Hennepin Avenue**  
**Suite 250**  
**Minneapolis, MN 55413**  
**Phone: 651.287.9005**  
**[www.melf.us](http://www.melf.us)**