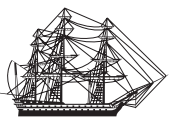
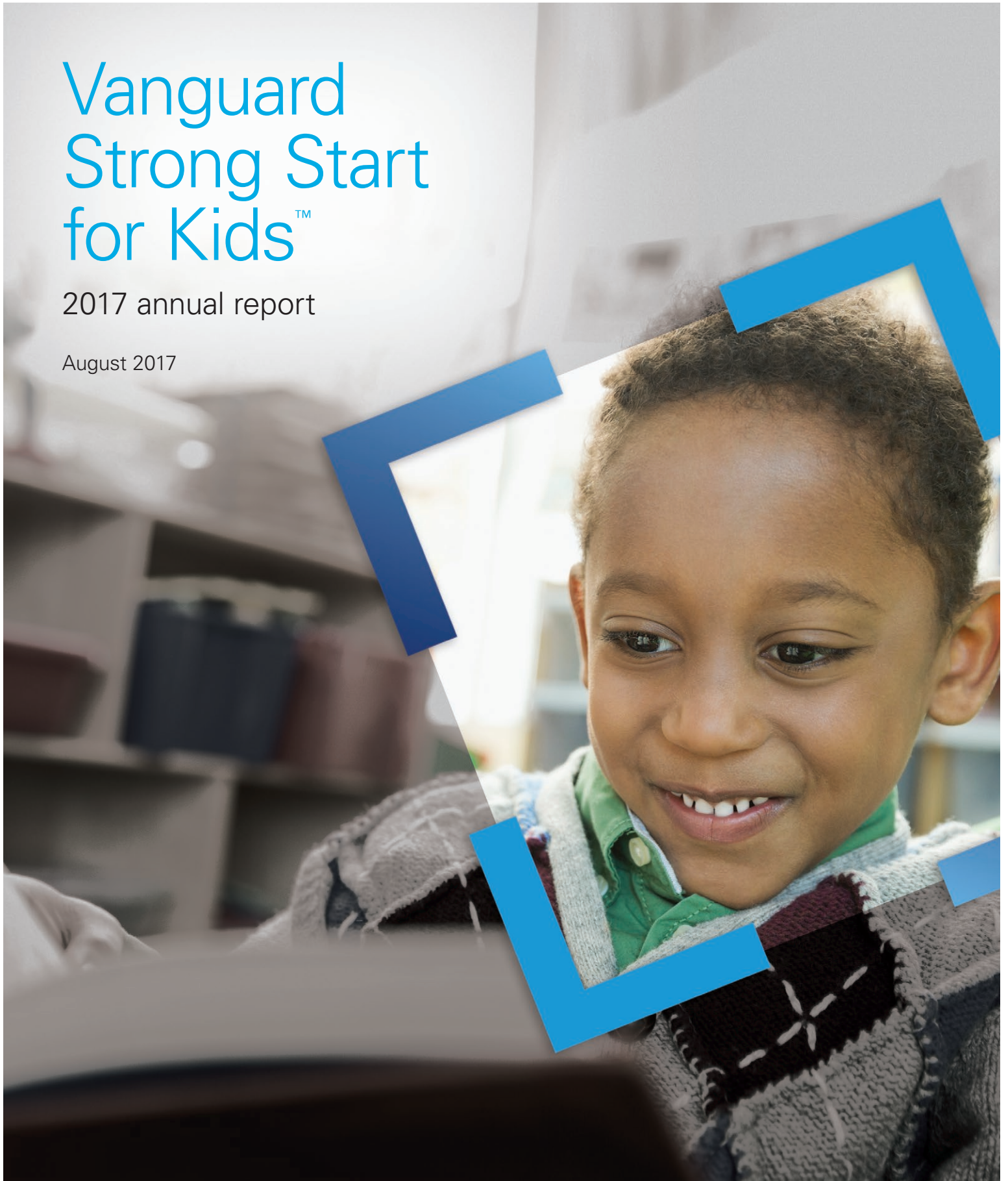


# Vanguard Strong Start for Kids™

2017 annual report

August 2017



**Vanguard®**



## Charting our course

We're excited to share our first Vanguard Strong Start for Kids Program™ annual report.

When our founder, John Bogle, built Vanguard, he shaped a culture of caring—the roots of our core value of stewardship—that is intrinsic to our company today. Our crew (the term we use for our employees) act as stewards for our clients' hopes and dreams, through prudent and aligned investment management. We also serve as stewards through our dedication to helping make the world a better place. Together we have built, and continue to build, a legacy of partnering with charities across the globe.

In 2015, our leadership team began to consider whether a signature initiative—a strategic emphasis on one issue—could drive more collective impact. As one of the world's largest investment management companies, we had no shortage of deeply important topics on which to focus. In the end, the same philosophy we share with clients helped shape our cornerstone philanthropic focus: Investing early pays off. Indeed, having a long-term investment vision that draws upon powerful choices made today is a winning combination.

The Vanguard Strong Start for Kids Program is rooted in decades of research demonstrating that high-quality, evidence-based investments made in the first few years of a child's life lead to measurable and lifelong cognitive, emotional, and economic improvements. In this report, we highlight investments that support thousands of young children in Arizona, North Carolina, and Pennsylvania to grow, thrive, and learn. Thanks to our crew's generosity and engagement, we've made great early progress and seen promising results.

Our work in the years ahead will require collaboration and learning as we build an outcome-focused, child-centered program. The list of complex, multi-layered factors that contribute to diminished outcomes for children growing up in poverty is long. But with strong community partnerships and unwavering corporate belief in stewardship, Vanguard believes we can make a meaningful difference in the lives of children.

Carra Cote-Ackah  
Director, Vanguard Community Stewardship

F. William McNabb  
Chairman and Chief Executive Officer, Vanguard

August 2017

# What is Vanguard Strong Start for Kids?

Our signature charitable initiative, the Vanguard Strong Start for Kids Program, provides funding and volunteer hours to give children the opportunity to grow, thrive, and learn, with a focus on improving kindergarten readiness for children growing up in poverty in Arizona, North Carolina, and Pennsylvania (where the majority of our U.S. crew live and work). The program is supported by our generous crew and corporate commitments.








## Why start early?

Children growing up in poverty are at a major disadvantage. Investments aimed at providing a safe, healthy, and nurturing environment have been shown to have a beneficial impact on key outcomes later in life—from high school graduation to job success.

The science behind this approach is compelling. Children’s brains grow rapidly in the earliest years. As a result of these neural connections that support lifelong learning and skill development, the average preschooler has already attained 85% of her or his brain weight. With so much happening inside young minds, children’s earliest relationships with adults—at home, in child care, at the doctor’s office, in the community—can add or subtract to their life’s course. And while the United States has made huge strides in connecting impoverished young children with caring pediatricians and hospitals, the country is still far behind in building high-quality child care and early learning opportunities that clearly improve the lives of children, their families, and the broader community.

Nobel laureate economist James Heckman put it well: “The research shows that high-quality birth-to-5 programs for disadvantaged children can deliver a 13%-per-year return on investment—a rate substantially higher than the 7% to 10% return previously established for preschool programs serving 3- to 4-year-olds. Significant gains are realized through better outcomes in education, health, social behaviors, and employment.”

In response to this compelling case, Vanguard Strong Start for Kids selected three (of several) drivers of kindergarten readiness:

 <p><b>Driver 1:</b> Provide high-impact <b>family support</b> to pregnant mothers and parents/ caregivers of young children. <i>See Page 2.</i></p>	+	 <p><b>Driver 2:</b> Expand, improve, and preserve the number of <b>high-quality early learning opportunities</b> in child care. <i>See Page 4.</i></p>	+	 <p><b>Driver 3:</b> Promote <b>early literacy</b> and reading programs. <i>See Page 6.</i></p>	=	<p><b>Kindergarten readiness competencies:</b> A child is well poised to succeed in kindergarten if she or he is on target in these areas as he or she moves from the sandbox to the schoolyard with:</p> <ol style="list-style-type: none"> <li>1. Physical well-being.</li> <li>2. Social and emotional development.</li> <li>3. Cognitive and language development.</li> <li>4. Approaches to learning.</li> </ol>
 <p><b>39%</b>    <b>\$2.46m</b></p>	 <p><b>36%</b>    <b>\$2.27m</b></p>	 <p><b>25%</b>    <b>\$1.55m</b></p>	 <p><b>2017 grants:</b> <b>\$6.28 million</b> Approved, June 2016 through June 2017.</p>			



Driver 1:  
Provide **high-impact family support** to pregnant mothers and parents/caregivers of young children.



\$2.46\* million in grants approved from June 1, 2016, through June 30, 2017

Grantee, Location	Grant amount	Purpose
Diversified Community Services, PA	2016: \$200,000 2017: \$200,000	To support home visiting services for parents of 3- and 4-year-olds that provide positive parenting strategies and materials for daily enrichment activities to increase school readiness.
Maternity Care Coalition, PA	2016: \$275,000 2017: \$273,000	To support home visiting services for families with children (up to age 3) with histories of trauma, violence, mental health concerns, and/or substance abuse to prevent child abuse and neglect.
Mecklenburg Partnership for Children, NC	2016 grant 1: \$125,000 2016 grant 2: \$121,000	1: To support home visiting services for at-risk families with children (up to age 5) to improve child development and positive parenting, increase school readiness, and prevent child abuse and neglect.  2: To support home visiting services for families with children (up to age 3) with histories of trauma, violence, mental health concerns, and/or substance abuse to prevent child abuse and neglect.
National Nurse-Led Care Consortium, PA	2016: \$450,000	To support home visiting services for at-risk families with pregnant women and children (up to age 5) to improve maternal and child health and development, improve positive parenting, increase school readiness, and prevent child abuse and neglect.
Parent-Child Home Program, PA	2016: \$200,000 2017: \$400,000	To support home visiting services for disconnected families with young children, to strengthen positive parenting, early literacy, and school readiness, and 2017's grant expanded scope to launch a variation of home visiting services targeting child care providers caring for young children in their homes.
Pennsylvania Partnerships for Children, PA	2017: \$150,000	To strengthen the public policy platform for home visiting programs by improving data and messaging, coordinating with child welfare and health care stakeholders, and strengthening the coalition of home visiting agencies.
Southwest Human Development, AZ	2016: \$210,000	To support home visiting services for families with children (up to age 5) with histories of trauma, violence, mental health concerns, and/or substance abuse to prevent child abuse and neglect.

\* Reduced by unspent prior-period grant balance.



## The challenge

In the United States, young children (0–5) are most at risk for child abuse and neglect.

Source: *Child Trends*.

## Confronting the challenge

Research shows that home visiting programs strengthen families and lead to lower child health care costs, reduced need for remedial education, and increased family self-sufficiency. Analysis suggests more than \$2.24 in benefits may result from every \$1 invested.

Source: Center on Budget and Policy Priorities.

### Grantee spotlight

#### Parent-Child Home Program (PCHP), PA

Philadelphia's PCHP addresses the achievement gap head-on by providing underserved families with the knowledge, skills, and tools needed to build school readiness where it begins: at home. Bilingual, culturally attuned specialists work one-on-one with the families of 2- and 3-year-olds, visiting twice a week with a book or educational toy designed to stimulate reading, conversation, and play activities.

PCHP's visits to the Smith family demonstrate the rewards of patience and persistence. When home visits began, the Smiths' 2-year-old refused to speak or interact with the visiting specialist, leaving the parents alternatively scolding and distant. Weeks of frustration passed. Then, during one visit, to the amazement of all, the child completed a puzzle by herself—several times. Soon, she was spending entire visits exploring books (*Goodnight Moon* was an early favorite) and learning words, helped by a dad who was reading to her every night. Strong parent-child bonds were built, as language, literacy, numeracy, and social-emotional skills developed.

The Vanguard Strong Start for Kids grant, along with grants from other funders, helped PCHP to expand into Philadelphia, to provide home visiting services to 100 families in the first program year and scale to 400 families over four years.

[www.parent-child.org](http://www.parent-child.org)

### Grantee spotlight

#### Home Instruction for Parents of Preschool Youngsters (HIPPY), PA

HIPPY, a kindergarten-readiness program offered by Diversified Community Services (DCS), gives parents and guardians the resources, materials, and information they need to teach their 3- and 4-year-olds at home. During weekly visits, HIPPY home visitors deliver curriculum, books, and educational supplies, and use role-play (with the parent playing the child) to better understand the child's perspective. They cultivate a trusting relationship and connect parents with other DCS services, such as emergency utility assistance, a first home buying program, and access to a computer lab.

Single mother Carolyn enrolled her 1-year-old son Zakere at a DCS early childhood education center, but as he grew older and more energetic, she could see he needed more support in the classroom. Connecting with HIPPY, Carolyn became a very involved parent and observed changes within a few months: Zakere participated more in class and was better able to follow instructions both inside and outside the classroom. "HIPPY helped me become more patient," Carolyn said, "and to understand how Zakere learned best." Today, Zakere is a HIPPY graduate, and Carolyn is employed at one of DCS's education centers.

The Vanguard Strong Start for Kids grant has allowed DCS to accelerate HIPPY's start-up in Philadelphia by strengthening staff, increasing resources, and expanding data collection. And, thanks to the grant, HIPPY was able to offer financial assistance for two home visitors (including Carolyn) to attain their Child Development Associate Certification.

[www.dcsphila.org](http://www.dcsphila.org)



Driver 2:  
Expand, improve, and  
preserve the number  
of **high-quality early  
learning opportunities**  
in child care.



\$2.27 million in grants awarded from June 1, 2016, through June 30, 2017

Grantee, Location	Grant amount	Purpose
Berks County Intermediate Unit/Early Learning Investment Commission (ELIC), PA	2017: \$150,000	To support ELIC in strengthening its network of senior business leaders organized to advance a policy agenda for quality child care and learning.
Children’s Hospital of Philadelphia Foundation, PA	2016: \$205,000	To conduct a research study to evaluate three approaches to reduce classroom behavioral problems and the number of expulsions and suspensions of young children in child care centers.
Council for a Strong America, AZ, NC, PA	2017: \$120,000	To support the council and its affiliates—Mission Readiness, Fight Crime: Invest in Kids, and ReadyNation—to recruit and develop memberships to advance a policy agenda for quality child care and learning.
Public Citizens for Children & Youth, PA	2017: \$299,000	To develop a plan to improve access to high-quality child care for infants and toddlers based on data, research, and input from local and state experts.
Public Health Management Corporation (PHMC), PA	2017: \$500,000	To support planning and implementation of long-term sustainability plans for high-quality child care programs serving sizable low-income populations.
The Reinvestment Fund, PA	2016: \$1,000,000	To provide planning support and capital to increase the number of low-income children served in high-quality child care centers in high-need Philadelphia neighborhoods.

### The challenge

Only 8% of infant and toddler care and 24% of preschool care is considered high-quality. As a consequence, disadvantaged children start kindergarten as much as 18 months behind their peers. Many never catch up and are at-risk of dropping out.

Source: National Center for Children in Poverty.

### Confronting the challenge

Research shows that starting at birth, young children are continuously and rapidly learning—wherever they are and from whomever they're with. Indeed, the commonly made distinction between “care” and “education” in early childhood is a false one. Child care is early education, regardless of the building it occurs in or what we call it. It ensures that children have the chance to develop well and begin kindergarten ready to thrive in school, work, and life.

Source: American Enterprise Institute.

#### Grantee spotlight

### Fund for Quality (FFQ), PA

FFQ, a partnership of Reinvestment Fund and Public Health Management Corporation, is expanding the number of high-quality early learning and child care opportunities for low-income children in Philadelphia. High-quality early childhood centers, which are typically small businesses, face many challenges when they seek to serve more children and families, including a lack of operational, real estate, and development knowledge. FFQ provides technical help, data resources, and financial assistance for the planning, predevelopment, and construction of expansion projects.

Thanks to a Vanguard Strong Start for Kids grant, FFQ worked to grow Ann Kids, located in Northeast Philadelphia, from 190 to 242 high-quality seats. One of these new seats was given to Cameron, who had no previous child care experience. Since his arrival, Cameron's social skills have significantly improved. He is now meeting children from different cultures and has become an eager learner. “He wants to learn, he wants to do stuff,” Cameron's dad said. “He wants to read, he wants to recite his ABCs. Ann Kids allowed him to blossom.”

Ann Kids is just one of FFQ's success stories: 1,059 new high-quality child care seats have been created to date, and 1,400 more are expected by 2020. Once established, these seats are available year after year to support neighborhood-based, high-quality child care.

[www.fundforquality.org](http://www.fundforquality.org)

#### Grantee spotlight

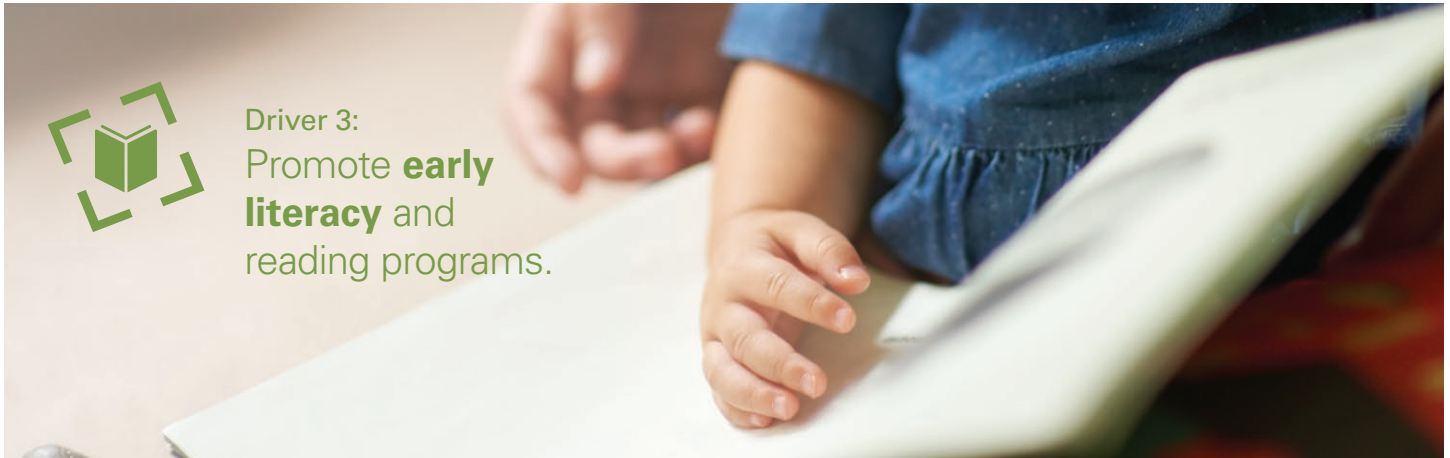
### Council for a Strong America, AZ, NC, PA

Council for a Strong America and its “sibling” organizations—Mission Readiness (retired admirals and generals), Fight Crime: Invest in Kids (law enforcement leaders), and ReadyNation (business executives)—recruit and mobilize “unexpected messengers” to build policy-maker and public support for early childhood care and learning and home visiting in Arizona, North Carolina, and Pennsylvania.

Supported by a Vanguard Strong Start for Kids grant, Fight Crime: Invest in Kids hosted a series of public forums on child abuse prevention that were attended by Pennsylvania district attorneys and police chiefs, as well as more than a dozen lawmakers and their staff. In addition, Fight Crime: Invest in Kids released two research reports on the crime prevention impact of high-quality pre-K and home visiting services.

Advocacy organizations like Fight Crime: Invest in Kids have been working for several years to influence policy-maker sentiment on high-impact investments in child development. It takes time, but the payoff for children can be substantial. In June, Pennsylvania lawmakers passed a 2017-2018 state budget that included a significant new investment (\$30 million) for pre-K programs to serve roughly 3,300 more at-risk kids, and a \$4.77 million allocation for new investments in home visiting services.

[www.strongnation.org](http://www.strongnation.org)



Driver 3:  
 Promote **early literacy** and reading programs.

\$1.55 million in grants awarded from June 1, 2016, through June 30, 2017

Grantee, Location	Grant amount	Purpose
Children’s Hospital of Philadelphia Foundation, PA	2016 grant 1: \$485,000 2016 grant 2: \$330,000	1: To support and expand early literacy through Reach Out and Read’s network of pediatric practices that create literacy-rich waiting rooms, provide a new book at every well visit, and counsel parents on the importance of reading to children. The project will also strengthen program operations to ensure sustainability.  2: To conduct a research study to evaluate the effectiveness of digital books versus hardcover books on parent-child interactions, reading behaviors, and early language development.
Fund for the School District of Philadelphia, PA	2016: \$265,000 2017: \$265,000	To support 100 classroom libraries as part of the Right Books Campaign to provide libraries to every kindergarten through 3rd grade classroom in the School District of Philadelphia.
Mecklenburg Partnership for Children, NC	2016: \$54,000	To support and expand early literacy through Reach Out and Read’s network of pediatric practices that create literacy-rich waiting rooms, provide a new book at every well visit, and counsel parents on the importance of reading to children.
Southwest Human Development, AZ	2016: \$150,000	To support and expand early literacy through Reach Out and Read’s network of pediatric practices that create literacy-rich waiting rooms, provide a new book at every well visit, and counsel parents on the importance of reading to children.



## The challenge

The language gap for poor children begins in infancy and starts a developmental cascade—a growing disparity that has enormous implications for later educational success and career outcomes. By the time a low-income child is 4, she or he may have heard 30 million *fewer* words than her or his more advantaged peers.

**Source:** Center for Infant Studies, Stanford University.

## Confronting the challenge

Early literacy programs help reverse the disparity in language development by encouraging parents to read to their children, and families to have books in the home.

**Source:** Society for Research in Child Development.

### Grantee spotlight

## Southwest Human Development, AZ

Southwest Human Development's Reach Out and Read, part of a nationwide program, promotes early literacy in pediatric offices by using books as a developmental tool during well-child visits and encouraging families to read aloud together. At each visit, children receive a new culturally and developmentally appropriate book to take home and keep, and their parents are counseled on how to use books at home.

When Keicha arrived in the United States from Africa, she could not speak, read, or write English or read and write in her native language. She was introduced to Reach Out and Read when she took her first son to a well-child visit. Through an interpreter, the pediatrician showed her how to use picture books to interact with her son and to teach him new words. By the time Keicha's second son was born, she had the confidence to support her children's literacy development. Thanks to Reach Out and Read, Keicha has fostered an interest in books in both children; she's established a home library from the free books she receives and reads aloud with her children every night.

With the Vanguard Strong Start for Kids grant, Southwest Human Development has expanded the number of pediatric clinics it serves in Maricopa County, from 62 to 76, with four more expected to open later in 2017.

[www.swhd.org](http://www.swhd.org)

### Grantee spotlight

## Mecklenburg Partnership for Children, NC

The Reach Out and Read program in Mecklenburg County invested its Vanguard Strong Start for Kids grant to serve the most vulnerable young children in its community.

Rachel, the mother of twins, was delighted to learn each daughter would receive a free book when they visited the pediatrician for a well-child appointment. During each visit, the pediatrician would talk to Rachel about the importance of

daily reading, show her how to use books as learning tools, and provide parenting literacy tips. Rachel reports that her daughters, now 3 years old, "love to cuddle with Mommy or Daddy every night before bed to read books. Of course, each gets to pick her favorite book."

At five pediatric clinics with a high percentage of Medicaid patients, new books were purchased and "reading corners" were upgraded to include child-sized furnishings and relevant artwork. The program was also expanded to another pediatric practice in a low-literacy resource area.

[www.smartstartofmeck.org](http://www.smartstartofmeck.org)

### Grantee spotlight

## Children's Hospital of Philadelphia Foundation, PA

The Vanguard Strong Start for Kids grant to Reach Out and Read Greater Philadelphia (RORGP), in partnership with Children's Hospital of Philadelphia (CHOP) Foundation, has helped RORGP expand, stabilize, and support 62 sites in southeastern Pennsylvania.

First-time mom Mariela, a native of the Dominican Republic, struggled to teach her son, Waldis, both her new language—English—and her native Spanish. A friend pointed her to CHOP, where she was introduced to RORGP—"a great experience," according to Mariela. "Dr. Huang opened my eyes to the importance of early literacy. You never think a baby can learn from early on, but it's so important to read to him. It was harder with us because of our language, but it was even more important." Waldis, now 2 years old, loves colors and words. "We read about three nights a week, and he now recognizes items."

Thanks to the grant, RORGP has added 13 new primary-care health centers to its Reach Out and Read Network, and strengthened existing sites through expanded quality assurance, essential staff training, and sustainability planning.

[www.reachoutandreadphilly.org](http://www.reachoutandreadphilly.org)

## Vanguard Strong Start for Kids investment committee

The investment committee meets quarterly to provide guidance to the program. Consistent with governance best practices, members of the investment committee disclose potential conflicts of interest and recuse themselves from voting on a grant when conflicts exist. Its members (from June 2016 through June 2017) are:

F. William McNabb, Chairman and Chief Executive Officer, Vanguard

Mortimer T. Buckley, Managing Director and Chief Investment Officer, Vanguard

Carra Cote-Ackah, Director, Vanguard Community Stewardship

Kathleen Gubanich, Managing Director, Human Resources, Vanguard (until December 31, 2016)

John James, Managing Director, Human Resources, Vanguard (from November 30, 2016)

Chris D. McIsaac, Managing Director, Planning and Development, Vanguard

Glenn Reed, Managing Director, Corporate Strategy, Vanguard

Pauline Scalvino, Principal, Corporate Strategy, Vanguard

Grant applications for the Vanguard Strong Start for Kids Program™ are provided on an invitation-only basis; we do not accept unsolicited proposals at this time.



Photo credit: Fund for Quality (FFQ).

## Vanguard Community Stewardship

The Vanguard Community Stewardship team leads philanthropic and volunteer programs that support healthy and resilient communities and families around the world. These programs, including Vanguard Strong Start for Kids, operate with the advice, feedback, and partnership of many individuals and Vanguard teams. We extend our deep appreciation to our crew colleagues for their passion, financial contributions, and volunteer hours.

### For more information

The research and expertise that underpins the importance of high-quality early childhood development are widespread. More resources are available upon request. Here's a sampling of reader-friendly sources that informed our process:

- Center on the Developing Child, Harvard University, <http://developingchild.harvard.edu/>
- Child Trends, <https://www.childtrends.org/>
- National Institute for Early Education Research, <http://nieer.org/>
- Office of Planning, Research & Evaluation, Office of the Administration for Children & Families, U.S. Department of Health and Human Services, <https://www.acf.hhs.gov/opre/research>
- Vroom, <http://joinvroom.org/science-and-facts>

## About Vanguard

From its beginning in 1975, Vanguard has been a very different kind of investment firm—one that's been able to steadily improve its services and lower the cost of investing globally because of its unique ownership structure. We're owned by the Vanguard funds, which are owned by their shareholders, our clients. Today, we are one of the world's largest global investment management companies, serving individual and institutional investors, employer-sponsored retirement plans, and financial professionals.

Vanguard manages approximately \$4 trillion in global assets in about 180 U.S. funds (including variable annuity portfolios), and offers more than 190 additional funds in markets outside the United States (as of December 31, 2016).



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