Start Early

(formerly Ounce of Prevention Fund)

Consolidated Financial Report
June 30, 2020

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Start Early

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Start Early (formerly Ounce of Prevention Fund) and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 reasonable 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 Start Early and subsidiaries as of June 30, 2020 and 2019, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

RSM US LLP

Chicago, Illinois
February 16, 2021

Start Early (formerly Ounce of Prevention Fund)

Consolidated Statements of Financial Position
June 30, 2020 and 2019

		2020		2019
Assets				
Current assets:				
Cash and cash equivalents	**$**	**15,233,084**	$	14,831,832
Accounts receivable - governmental agencies and other, net		**8,983,490**		8,870,374
Pledges receivable, current		**8,886,292**		7,722,197
Deposits, prepaid expenses and other assets		**760,790**		469,576
Total current assets		**33,863,656**		31,893,979
Investments:				
Donor and board designated		**21,964,866**		22,869,984
Undesignated		**4,394,967**		1,943,103
Total investments		**26,359,833**		24,813,087
NMTC note receivable		**-**		10,700,070
Pledges receivable, net of current portion		**10,882,706**		6,092,890
Property, plant and equipment, net		**10,993,651**		11,090,747
Total assets	**$**	**82,099,846**	$	84,590,773
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**9,356,489**	$	8,305,005
Deferred revenue		**711,199**		1,050,075
Current portion of lease liability		**133,583**		111,400
Total current liabilities		**10,201,271**		9,466,480
Paycheck Protection Program loan payable		**5,571,900**		-
Capital lease liability, net of current portion		**186,823**		99,119
Deferred rent		**4,308,158**		4,485,236
Other liabilities		**169,520**		184,093
Total liabilities		**20,437,672**		14,234,928
Net assets:				
Without donor restrictions:				
Undesignated		**10,154,438**		23,598,045
Board designated		**4,813,038**		5,011,371
		14,967,476		28,609,416
With donor restrictions		**46,694,698**		41,746,429
Total net assets		**61,662,174**		70,355,845
Total liabilities and net assets	**$**	**82,099,846**	$	84,590,773

See notes to consolidated financial statements.

Start Early (formerly Ounce of Prevention Fund)

Consolidated Statement of Activities
Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Grants:			
State of Illinois Department of Human Services:			
Division of Family and Community Services	$ 11,018,047	$ -	$ 11,018,047
Bureau of Child Care and Development	606,222	-	606,222
Illinois State Board of Education	4,676,551	-	4,676,551
State of Illinois Department of Children and Family Services	37,282	-	37,282
U.S. Department of Health and Human Services	16,491,279	-	16,491,279
U.S. Department of Agriculture	82,743	-	82,743
City of Chicago-DFSS	3,263,459	-	3,263,459
Washington State Department of Children, Youth and Families	469,229	-	469,229
Other grants	121,584	-	121,584
Contributions	5,882,466	27,284,971	33,167,437
Investment return, net	987,243	(36,793)	950,450
Other revenue	2,281,746	-	2,281,746
Donated service/in-kind	438,811	-	438,811
Net assets released from restrictions	21,996,676	(21,996,676)	-
Total revenue and other support	68,353,338	5,251,502	73,604,840
Expenses:			
Program services:			
Direct program services:			
Direct work with children	29,628,051	-	29,628,051
Program and professional innovation	20,722,930	-	20,722,930
Policy and systems innovation	7,928,046	-	7,928,046
Infrastructure and support	5,714,692	-	5,714,692
Total direct program services	63,993,719	-	63,993,719
Bounce DC	77,409	-	77,409
Total program services	64,071,128	-	64,071,128
Supporting services:			
General and administrative activities	6,910,439	-	6,910,439
Fund-raising	3,074,373	-	3,074,373
Total supporting services	9,984,812	-	9,984,812
Total expenses	74,055,940	-	74,055,940
Change in net assets before other changes	(5,702,602)	5,251,502	(451,100)
Other changes in net assets:			
Contribution of net assets received from acquisition	2,760,732	100,000	2,860,732
Loss for uncollectible promises to give	-	(403,233)	(403,233)
NMTC loan forgiveness	(10,700,070)	-	(10,700,070)
Change in net assets	(13,641,940)	4,948,269	(8,693,671)
Net assets at beginning of year	28,609,416	41,746,429	70,355,845
Net assets at end of year	$ 14,967,476	$ 46,694,698	$ 61,662,174

See notes to consolidated financial statements.

Start Early (formerly Ounce of Prevention Fund)

Consolidated Statement of Activities
Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Grants:			
State of Illinois Department of Human Services:			
Division of Family and Community Services	$ 11,307,096	$ -	$ 11,307,096
Bureau of Child Care and Development	530,761	-	530,761
Illinois State Board of Education	4,553,810	-	4,553,810
State of Illinois Department of Children and Family Services	26,644	-	26,644
U.S. Department of Health and Human Services	16,374,008	-	16,374,008
U.S. Department of Agriculture	126,639	-	126,639
City of Chicago-DFSS	3,281,543	-	3,281,543
Contributions	5,198,016	21,696,908	26,894,924
Investment return, net	1,135,589	805,482	1,941,071
Other revenue	2,052,980	-	2,052,980
Donated service/in-kind	635,270	-	635,270
Net assets released from restrictions	23,259,378	(23,259,378)	-
Total revenue and other support	68,481,734	(756,988)	67,724,746
Expenses:			
Program services:			
Direct program services:			
Direct work with children	29,733,617	-	29,733,617
Program and professional innovation	23,808,104	-	23,808,104
Policy and systems innovation	3,659,557	-	3,659,557
Infrastructure and support	4,590,766	-	4,590,766
Total direct program services	61,792,044	-	61,792,044
Bounce DC	163,200	-	163,200
Total program services	61,955,244	-	61,955,244
Supporting services:			
General and administrative activities	6,704,820	-	6,704,820
Fund-raising	2,190,412	-	2,190,412
Total supporting services	8,895,232	-	8,895,232
Total expenses	70,850,476	-	70,850,476
Change in net assets	(2,368,742)	(756,988)	(3,125,730)
Net assets at beginning of year	30,978,158	42,503,417	73,481,575
Net assets at end of year	$ 28,609,416	$ 41,746,429	$ 70,355,845

See notes to consolidated financial statements.

Start Early (formerly Ounce of Prevention Fund)

Consolidated Statement of Functional Expenses
Year ended June 30, 2020

	Direct Program Services									
	Direct Work with Children	Program and Professional Innovation	Policy and Systems Innovation	Infrastructure and Support	Total Direct Program Services	Bounce DC	Total Program Services	General and Administrative Activities	Fund-raising	Total
Personnel	$ 9,116,898	$ 12,066,839	$ 4,726,722	$ 4,494,105	$ 30,404,564	$ -	$ 30,404,564	$ 4,637,612	$ 2,807,796	$ 37,849,972
Professional services	687,684	1,426,825	1,743,891	532,536	4,390,936	47,026	4,437,962	1,249,343	33,637	5,720,942
Subcontracted program services	17,772,433	4,410,814	25,000	140,789	22,349,036	21,103	22,370,139	-	-	22,370,139
Travel	93,519	646,834	271,953	49,524	1,061,830	-	1,061,830	46,433	12,002	1,120,265
Conference and meetings	149,676	429,028	389,347	28,321	996,372	-	996,372	75,729	45,495	1,117,596
Occupancy	394,881	67,586	38,163	4,416	505,046	-	505,046	33,637	7,746	546,429
Rent, net of construction allowance amortization	403,161	885,760	351,807	-	1,640,728	-	1,640,728	-	-	1,640,728
Supplies	245,441	26,859	12,778	2,377	287,455	-	287,455	35,885	2,558	325,898
Membership dues	119,046	124,719	103,758	21,355	368,878	-	368,878	90,035	25,282	484,195
Depreciation	322,802	336,368	122,131	43,797	825,098	-	825,098	132,277	71,934	1,029,309
Casualty and liability insurance	25,114	26,170	9,502	3,407	64,193	9,280	73,473	10,291	5,596	89,360
Equipment and computer software	47,915	128,084	81,440	34,019	291,458	-	291,458	536,944	31,606	860,008
Postage, printing and copying	64,683	80,684	17,063	11,267	173,697	-	173,697	41,732	12,908	228,337
Direct program services	166,051	21,756	1,696	-	189,503	-	189,503	-	-	189,503
Miscellaneous	18,747	44,604	32,795	348,779	444,925	-	444,925	20,521	17,813	483,259
Total expenses	$ 29,628,051	$ 20,722,930	$ 7,928,046	$ 5,714,692	$ 63,993,719	$ 77,409	$ 64,071,128	$ 6,910,439	$ 3,074,373	$ 74,055,940

See notes to consolidated financial statements.

Start Early (formerly Ounce of Prevention Fund)

Consolidated Statement of Functional Expenses
Year ended June 30, 2019

	Direct Program Services									
	Direct Work with Children	Program and Professional Innovation	Policy and Systems Innovation	Infrastructure and Support	Total Direct Program Services	Bounce DC	Total Program Services	General and Administrative Activities	Fund-raising	Total
Personnel	$ 8,324,310	$ 12,551,387	$ 2,361,347	$ 3,027,572	$ 26,264,616	$ -	$ 26,264,616	$ 3,652,546	$ 1,687,800	$ 31,604,962
Professional services	724,065	3,280,750	440,086	665,187	5,110,088	21,168	5,131,256	1,888,382	179,940	7,199,578
Subcontracted program services	18,260,295	3,904,629	-	-	22,164,924	133,751	22,298,675	-	-	22,298,675
Travel	100,343	1,294,223	203,976	49,999	1,648,541	-	1,648,541	33,954	11,432	1,693,927
Conference and meetings	249,875	900,935	394,631	57,051	1,602,492	-	1,602,492	41,147	107,274	1,750,913
Occupancy	602,944	97,518	15,920	5,388	721,770	-	721,770	63,360	9,654	794,784
Rent, net of construction allowance amortization	324,997	832,363	156,652	-	1,314,012	-	1,314,012	-	-	1,314,012
Supplies	257,241	58,170	19,281	28,368	363,060	-	363,060	68,263	15,286	446,609
Membership dues	78,405	124,437	6,626	37,175	246,643	-	246,643	84,138	10,927	341,708
Depreciation	335,781	26,833	-	307,184	669,798	-	669,798	88,912	52,826	811,536
Casualty and liability insurance	5,569	18,604	5,258	3,046	32,477	8,281	40,758	11,605	3,791	56,154
Equipment and computer software	114,747	128,682	45,796	118,425	407,650	-	407,650	702,848	52,804	1,163,302
Postage, printing and copying	114,359	126,900	6,179	17,021	264,459	-	264,459	50,617	41,617	356,693
Direct program services	181,416	43,732	1,500	-	226,648	-	226,648	-	-	226,648
Miscellaneous	59,270	418,941	2,305	274,350	754,866	-	754,866	19,048	17,061	790,975
Total expenses	$ 29,733,617	$ 23,808,104	$ 3,659,557	$ 4,590,766	$ 61,792,044	$ 163,200	$ 61,955,244	$ 6,704,820	$ 2,190,412	$ 70,850,476

See notes to consolidated financial statements.

Start Early (formerly Ounce of Prevention Fund)

Consolidated Statements of Cash Flows
Years ended June 30, 2020 and 2019

		2020		2019
Cash flows from operating activities:				
Change in net assets	$	(8,693,671)	$	(3,125,730)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation		1,029,309		811,536
Loss from uncollectible promises to give		403,233		-
Bad debt write-offs		39,671		-
Net realized and unrealized losses (gains) on investments		828,167		(402,457)
Loss on sale of property, plant and equipment		13,035		46,726
Contribution of net assets received from acquisition		(2,860,732)		-
NMTC loan receivable forgiveness		10,700,070		-
Changes in:				
Accounts and pledges receivable		(6,198,224)		3,811,382
Deposits, prepaid expenses and other assets		(291,214)		501,981
Accounts payable and accrued expenses		878,395		(539,290)
Other liabilities and deferred revenue		(530,527)		3,780,389
Net cash (used in) provided by operating activities		(4,682,488)		4,884,537
Cash flows from investing activities:				
Purchases of property and equipment		(659,394)		(4,286,192)
Proceeds from sales of investments		2,783,488		3,032,669
Purchases of investments		(2,695,572)		(2,770,309)
Cash acquired in acquisition		246,520		-
Net cash used in investing activities		(324,958)		(4,023,832)
Cash flows from financing activities:				
Payments made on capital lease obligations		(163,202)		(82,505)
Proceeds from PPP loan		5,571,900		-
Net cash provided by (used in) financing activities		5,408,698		(82,505)
Net increase in cash and cash equivalents		401,252		778,200
Cash and cash equivalents at beginning of year		14,831,832		14,053,632
Cash and cash equivalents at end of year	$	15,233,084	$	14,831,832
Supplemental cash flow information:				
Fixed asset acquisitions financed through capital leases	$	273,089	$	117,002
Cash paid for interest	$	11,419	$	5,418
Acquisition transaction:				
Assets acquired	$	3,033,821	$	-
Liabilities assumed		(173,089)		-
		2,860,732		-
Less cash acquired		246,520		-
Noncash net identifiable assets acquired	$	2,614,212	$	-

See notes to consolidated financial statements.

Note 1. General

Ounce of Prevention Fund (the Ounce) was founded in 1982 as a public-private partnership to give children in poverty the best chance for success in school and in life by advocating for and providing the highest quality care and education from birth to age five. On October 7, 2020, the Ounce changed its name to Start Early to emphasize the fact that starting early to nurture the attachments between children and adults and build strong foundations are essential to a child's present and future well-being. Start Early develops and supports research based early learning programs; educates and coaches practitioners; and advocates with policymakers, business leaders, and the public. This comprehensive approach addresses the systems-level change required for sustained impact on our nation's children and families.

First Five Years Fund LLC (FFYF) was founded in 2007 with Start Early as its sole member. FFYF works with federal policymakers to galvanize support for greater investments and policies to increase access to high quality early childhood education. FFYF is a disregarded entity for tax purposes.

Bounce DC was founded in 2009 as a nonprofit organization incorporated in the District of Columbia with Start Early as its sole member. Bounce DC was created to hold the Educare Center and the debt related to the New Market Tax Credit transaction that took place during the fiscal year ended June 30, 2013 (Note 5).

Start Early is principally supported by major local and national private philanthropies, the U.S. Department of Health and Human Services (DHHS), and the State of Illinois Department of Human Services.

Note 2. Summary of Significant Accounting Policies

Consolidation: Start Early's financial statements consolidate the accounts and activities of its affiliated entities, FFYF and Bounce DC. All significant intercompany transactions have been eliminated.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of these consolidated financial statements, cash equivalents are defined as short-term, highly liquid investments that have original maturities of three months or less and are readily convertible to known amounts of cash.

Start Early maintained its cash in bank accounts, which at times exceeded federally insured limits during the years ended June 30, 2020 and 2019. Start Early did not experience any losses in such accounts during this period and believes it is not exposed to any significant credit risk.

Accounts receivable – governmental agencies and other: Accounts receivable are primarily uncollateralized obligations of federal, state and local governmental agencies. These receivables are stated at the amounts billed and do not accrue interest. Allowance for uncollectible accounts receivable from governmental agencies was $155,000 and $50,000 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, approximately 10% of accounts receivable were due from one federal agency, 12% from one state agency, 14% from one foundation and 14% from another foundation. As of June 30, 2019, approximately 12% of accounts receivable were due from one federal agency, 11% from one state agency, 22% from one foundation and 15% from another foundation.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Donor and board designated investments are presented in the financial statements at fair value. Undesignated investments include a 19.2% ownership interest in Multifamily Portfolio Limited Partnership (the Partnership). The percentage ownership does not give Start Early significant influence over the Partnership and the investment does not have a readily determinable fair value and does not qualify for the practical expedient to estimate fair value using net asset value. Accordingly, Start Early has elected to account for the investment using the measurement alternative, which is cost minus impairment, if any, plus or minus changes resulting from observable price changes for identical or similar investments of the same issuer. Based on a qualitative assessment, no indicators of impairment and no observable changes in price were noted for the investment during the years ended June 30, 2020 or 2019. The remainder of undesignated investments are mutual funds, which are presented at fair value.

Investment income, realized gains (losses) and changes in unrealized gains (losses) are reflected in the statements of activities, net of investments expenses, as investment return. Investments received as contributions are recorded at fair value at the date of receipt. Investments are classified as either current or long-term based on intended use. Included in investment income are $936,204 and $802,310 in distributions from the cost method limited partnership for the years ended June 30, 2020 and 2019, respectively.

Start Early's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect Start Early's consolidated financial statements.

Property, plant and equipment: Purchases of individual fixed assets of $5,000 or greater are capitalized and depreciated. Fixed assets are recorded at purchased cost. Depreciation of building and renovation costs is provided over the expected minimum life of the asset (40 years and 15 years, respectively) using the straight-line method. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (3-5 years) using the straight-line method. Repairs are expensed as incurred.

If a fixed asset is purchased with funds provided by DHHS and is disposed of, the following procedures apply: If the program for which the equipment is acquired is still receiving support from DHHS, and if the DHHS awarding agency approves, the net proceeds from the sale of the asset may be used for allowable costs of that program. Otherwise, the net amount must be remitted to the DHHS awarding agency.

Grants: The majority of funding for Start Early's operations is provided by governmental agencies. Governmental grants and contracts are accounted for as conditional promises to give and are recognized as revenue when the barriers have been substantially met. Generally, the barriers are met when services are performed, and amounts are expended in accordance with the agreement. Start Early has received conditional commitments, which generally represent unexpended government grants, amounting to approximately $11,696,000 which have not been recognized, because Start Early has not yet met the related barriers. These amounts are subject to recognition as Start Early incurs qualifying expenses and performs its duties under the terms of the grant agreements. Unexpended amounts received in advance are deferred to the period in which they are earned.

Contributions: All contributions are considered to be available for the general programs of Start Early unless specifically restricted by the donor.

Donor-restricted gifts: Unconditional promises to give cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Unconditional pledges that are expected to be collected within one year are recorded based on estimated future cash flows. Unconditional pledges that are expected to be collected in more than one year are recorded at the present value of estimated cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Pledges receivable are written off when they become uncollectible, which is determined based on the length of time the receivables are past due and the responsiveness of the donor.

Gifts in-kind and contributed services: Gifts in-kind used in Start Early programs include free rent, equipment and donated goods distributed (e.g., clothing, furniture and foodstuffs). Contributed services represent services requiring specialized skills that Start Early would typically purchase, such as legal and consulting services. Gifts in-kind and contributed services are recognized at their estimated fair values at date of receipt with an equal and offsetting amount in expenses in the statements of activities, resulting in no net impact on the change in net assets during the year.

Start Early receives services from a large number of volunteers who give significant amounts of their time to fund-raising campaigns, various committees and programs; however, no amounts for these types of contributed services have been recognized in the consolidated financial statements because such services do not require specialized skills and there is no objective basis available to measure the value of such services.

Contributed services were $336,765 and $548,907 for the years ended June 30, 2020 and 2019, respectively. Contributed services in Start Early programs include discounted consulting and legal fees, and donated salary from one staff member.

Functional allocation of expenses: The costs of program and supporting services 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 services. Operating expenses directly identified with a functional core program are charged to that program and, where these expenses affect more than one program, they are allocated on the basis of ratios estimated by management. Personnel costs are allocated based on estimates of time and effort. Occupancy, IT, and other shared costs are allocated based on usage or headcount.

Net assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Without donor restrictions: Net assets without donor restrictions represent resources available for support of daily operations and contributions received for which there are no donor-imposed stipulations or time restrictions. Board-designated net assets without donor restrictions are assets that are earmarked for long-term investment by the board of directors.

With donor restrictions: Net assets with donor restrictions represent net assets subject to donor-imposed restrictions that will be met either by actions of Start Early or passage of time. Also included in this category are net assets and pledges related to endowments, which represent resources subject to donor restrictions requiring that the principal be invested and maintained in perpetuity. The income generated from these funds is classified as net assets with donor restrictions until appropriated for expenditure. For the years ended June 30, 2020 and 2019, Start Early did not have any earnings on endowments that were subject to donor restrictions regarding purpose. Net assets released from restrictions represent amounts released from time restriction or spent on restricted purposes.

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: Start Early and Bounce DC have received favorable determination letters from the Internal Revenue Service stating that they are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, except for income taxes pertaining to unrelated business income. The Financial Accounting Standards Board (FASB) issued guidance that requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain tax positions that require recognition in the consolidated financial statements, as such, no provision for income taxes is reflected. Additionally, there is no interest or penalties recognized in the consolidated statements of activities or consolidated statements of financial position.

Start Early and Bounce DC file Form 990 in the U.S. federal jurisdiction and the state of Illinois.

Adopted accounting pronouncements: In 2020, Start Early adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. Adoption of this new standard did not have a significant impact on Start Early's consolidated financial statements.

In 2020, Start Early adopted ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments and applies to all entities that hold financial assets or owe financial liabilities. ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, provides narrow-scope clarifying amendments to certain guidance in ASU 2016-01 and was adopted concurrently with ASU 2016-01. The adoption of these new standards did not have a significant impact on Start Early's consolidated financial statements.

Pending accounting pronouncements: In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers,* as a new topic, Accounting Standards Codification (ASC) *Topic 606*. The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new standard, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. This ASU is effective for Start Early in fiscal year 2021 and shall be applied using either a full retrospective or modified retrospective approach.

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for Start Early in fiscal year 2023. Early adoption is permitted.

Note 2. Summary of Significant Accounting Policies (Continued)

In 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. This update will be effective for Start Early in fiscal year 2021.

Start Early is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

Reclassifications: Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the 2020 consolidated financial statement presentation, with no impact on previously report net assets or changes in net assets.

Subsequent events: Start Early evaluated its June 30, 2020, consolidated financial statements for subsequent events through February 16, 2021, the date the consolidated financial statements were available to be issued.

Note 3. Liquidity and Availability

The table below represents financials assets and liquidity resources available for general expenditures within one year of June 30:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ 15,233,084	$ 14,831,832
Accounts receivable - governmental agencies and other, net	8,983,490	8,870,374
Pledges receivable	19,768,998	13,815,087
Donor and board designated investments	21,964,866	22,869,984
Other investments	4,394,967	1,943,103
Total financial assets	70,345,405	62,330,380
Less amounts not available to be used within one year:		
Donor and board designated net assets	51,507,736	46,757,800
Less anticipated endowment appropriation	(921,000)	(858,000)
Less pledges receivable without purpose restrictions due within one year	(3,513,429)	(1,755,733)
Undesignated investments - long term	4,394,967	1,943,103
	51,468,274	46,087,170
Total financial assets available within one year	18,877,131	16,243,210
Liquidity resources:		
Bank line of credit	6,000,000	6,000,000
Total financial assets and liquidity resources available within one year	$ 24,877,131	$ 22,243,210

Start Early regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Start Early considers all expenditures related to its ongoing programs and subcontracted services as well as supporting services such as administrative and general and fund-raising to be general expenditures.

Note 3. Liquidity and Availability (Continued)

To help manage unanticipated liquidity needs, Start Early has committed lines of credit which it could draw upon. Additionally, Start Early has a board designated endowment of $4,813,038. Although Start Early does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment could be made available if necessary.

Note 4. Pledges Receivable

Pledges were discounted using risk-adjusted interest rates, up to approximately 3%, based on the year in which the pledge was received. Start Early believes that the pledges shown below are fully collectible; therefore, an allowance for doubtful accounts is not necessary.

	2020	2019
Corporations, foundations, individuals and trusts	$ 20,093,292	$ 14,147,197
Less unamortized discount	(324,294)	(332,110)
Net pledges receivable	$ 19,768,998	$ 13,815,087
Amount due in		
Less than one year	$ 8,886,292	$ 7,722,197
One to five years	11,007,000	6,125,000
Five to 10 years	200,000	300,000
Total	$ 20,093,292	$ 14,147,197

Note 5. NMTC Transaction

In October 2010, Bounce DC entered into a lease with the District of Columbia for land to be used for educational purposes, including the construction and operation of a facility, to include early childhood education. The lease is a 99-year lease at $1 per year and cannot be subleased without permission of the lessor. Bounce DC constructed a new building on this land, which it completed in August 2012 at a total cost of $13,042,361.

In September 2012, Bounce DC, as a leverage lender, and Educare DC (an unaffiliated entity), as program operator, were part of a New Market Tax Credits (NMTC) transaction that resulted in approximately $3,000,000 in support for Educare DC. As part of this transaction, the newly constructed building was leased to Educare DC through a capital lease. The lease is a non-cancelable lease for 65 years, requiring a single up-front payment of $12,700,000. The land and building are required to be used solely for educational purposes, including the construction and operation of a facility, to include early childhood education. Since the lease of the building was essentially a sale at the time the sublease was signed, the building was removed from the Bounce DC books. As a part of this transaction, Bounce DC also made an in-kind gift to Educare DC of approximately $500,000 of furniture and equipment.

As Bounce DC is acting as an agent between the District of Columbia and Educare DC, and since the lease of the building is passed through to Educare DC, no amounts related to the lease and sublease are recorded in the consolidated financial statements. It was never intended that Bounce DC keep, use or benefit from the contributed land.

In September 2012, Bounce DC, as leverage lender, made a loan to Educare DC NMTC Investment Fund, LLC, a qualified equity investment fund involved in financing obtained through the NMTC transaction. The loan has interest-only payments for seven years at a 1% rate, payable quarterly.

Note 5. NMTC Transaction (Continued)

The initial NMTC compliance period ended on September 12, 2019. Effective September 13, 2019, the NMTC unwind began when the equity investor of Educare DC NMTC Investment Fund, LLC exercised its put option and sold its ownership interest to Bounce DC for $1,000. In conjunction with this event, Bounce DC paid legal fees of $8,900. This action, in combination with other agreements, resulted in the forgiveness of $10,700,070 note from Educare DC. The loan forgiveness is reflected as an expense on Bounce DC's statement of activities in fiscal 2020. This reduction to Bounce DC's net assets is in line with the purpose of the entity, which was primarily to facilitate NMTC transaction. Bounce DC plans to eventually file for dissolution.

Note 6. Investments

Investments are composed of funds subject to donor restrictions requiring that the principal be invested and maintained in perpetuity, as well as funds without donor restrictions designated for long-term investment by the board of directors.

The composition of investments at June 30, 2020 and 2019, is summarized as follows:

	2020			2019		
	Donor and Board Designated	Undesignated	Total	Donor and Board Designated	Undesignated	Total
Publicly traded:						
Money market funds	$ 23,669	$ 2,620	$ 26,289	$ 98,485	$ -	$ 98,485
Equity securities	1,470,798	-	1,470,798	1,725,434	-	1,725,434
Mutual funds	15,506,544	2,463,816	17,970,360	16,007,108	-	16,007,108
Supplemental employees' retirement plan (mutual funds)	(1)	169,521	169,520	-	184,093	184,093
Total publicly traded	17,001,010	2,635,957	19,636,967	17,831,027	184,093	18,015,120
Other investments:						
Limited partnerships	4,963,856	1,759,010	6,722,866	5,038,957	1,759,010	6,797,967
Total	$ 21,964,866	$ 4,394,967	$ 26,359,833	$ 22,869,984	$ 1,943,103	$ 24,813,087

Note 7. Fair Value Disclosures

U.S. GAAP defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and specifies disclosure requirements for fair value measurements. Furthermore, Start Early maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Start Early has the ability to access.

Level 2 - Inputs to the valuation methodology include observable market-based inputs that are corroborated by market data.

Note 7. Fair Value Disclosures (Continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

However, the determination of what constitutes observable requires judgment by Start Early's management. Start Early's management considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the fair value hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to Start Early management's perceived risk of that investment.

Investment valuation: The following is a description of the valuation methodologies used for investments measured at fair value.

Investments, other than the limited partnership accounted for at cost, are reported at fair value. The fair value of investments with a readily determinable market value is based on the quoted market prices as of the close of the last business day of the year. The fair value of the Covenant Apartments Fund VII (Institutional Fund) and the Weatherlow Offshore Fund I Ltd. (Weatherlow) limited partnerships are determined using net asset value (NAV) as a practical expedient.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Start Early believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, Start Early's financial instruments reported at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 26,289	$ -	$ -	$ 26,289
Equity securities	1,470,798	-	-	1,470,798
Mutual funds	18,139,880	-	-	18,139,880
	$ 19,636,967	$ -	$ -	19,636,967
Limited partnerships measured at NAV				4,963,856
Limited partnerships measured at cost				1,759,010
				$ 26,359,833

Note 7. Fair Value Disclosures (Continued)

The following table sets forth by level, within the fair value hierarchy, Start Early's financial instruments reported at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 98,485	$ -	$ -	$ 98,485
Equity securities	1,725,434	-	-	1,725,434
Mutual funds	16,191,201	-	-	16,191,201
	$ 18,015,120	$ -	$ -	18,015,120
Limited partnerships measured at NAV				5,038,957
Limited partnerships measured at cost				1,759,010
				$ 24,813,087

Investments measured at NAV using the practical expedient as of June 30, 2020, consisted of the following:

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Weatherlow (a)	$ 4,963,856	$ -	See below	See below
Balance as of June 30, 2020	$ 4,963,856	$ -		

Investments measured at NAV using the practical expedient as of June 30, 2019, consisted of the following:

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Weatherlow (a)	$ 5,035,015	$ -	See below	See below
Institutional Fund (b)	3,942	-	See below	See below
Balance as of June 30, 2019	$ 5,038,957	$ -		

(a) Weatherlow is a multi-strategy hedge fund of funds launched in October 2002 that seeks to achieve long-term returns commensurate with the long-term returns from a portfolio invested in the general equity markets, while experiencing volatility more like that of a portfolio invested in the general debt markets. Weatherlow expects to have 20 to 30 core hedge fund managers within its portfolio and has experienced typical annualized turnover in hedge fund managers of approximately 15% since inception. Weatherlow invests in hedge fund managers across four main sectors: Long-Short Equity, Event Driven, Relative Value and Global Asset Allocation. Based on Evanston Capital Management, LLC's subjective assessment of the hedge funds in Weatherlow's portfolio, the average exposure since inception to each sector as of October 1, 2018, was 48% to Long-Short Equity, 20% to Event Driven, 11% to Relative Value and 18% to Global Asset Allocation. The investment is illiquid during the term of commitment.

(b) The Institutional Fund acquires multi-family communities in Southeast and Mid-Atlantic States with the goal of completing value-add renovations and increasing operating income. This investment was fully redeemed during fiscal year 2020.

Note 8. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of June 30:

	2020	2019
Furniture and equipment	$ 2,848,964	$ 2,741,248
Building and leasehold improvements	15,107,247	14,563,999
Equipment financed through capital leases	606,310	333,221
Total property, plant and equipment	18,562,521	17,638,468
Less accumulated depreciation	(7,568,870)	(6,547,721)
Property, plant and equipment, net	$ 10,993,651	$ 11,090,747

Depreciation expense was $1,029,309 and $811,536 for the years ended June 30, 2020 and 2019, respectively.

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2020	2019
Subject to the passage of time:		
Pledges receivable without purpose restrictions	$ 12,842,506	$ 6,555,673
Subject to purpose restrictions:		
Direct work with children	440,802	385,148
Program and professional innovation	7,688,352	11,506,644
Policy and system innovation	7,466,905	4,734,444
Infrastructure and support	1,104,305	705,907
Endowment returns subject to future appropriations	2,499,079	3,205,864
Amounts with perpetual restrictions	14,652,749	14,652,749
Total net assets with donor restrictions	$ 46,694,698	$ 41,746,429

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2020 and 2019, as follows:

	2020	2019
Direct work with children	$ 506,590	$ 395,866
Program and professional innovation	12,807,854	13,443,035
Policy and systems innovation	5,156,579	4,810,798
Infrastructure and support	2,855,661	3,908,414
Endowment appropriations	669,992	701,265
Total	$ 21,996,676	$ 23,259,378

Note 10. Endowment Net Assets

Start Early's endowment consists of donor-restricted, as well as board-designated for long-term investment funds. Net assets associated with Start Early's endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) governs endowment funds in the state of Illinois. UPMIFA eliminates the historic dollar value rule with respect to endowment fund spending, updates the prudence standard for the management and investment of charitable funds, and amends the provisions governing the release and modification of restrictions on charitable funds. Start Early accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, Start Early classifies as net assets with donor restriction (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. Start Early considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of Start Early and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of Start Early.
7. The investment policies of Start Early.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires Start Early to retain as a fund of perpetual duration. Start Early has interpreted UPMIFA to allow spending from the endowment under such circumstances, in accordance with standards of prudence. There were no such deficiencies at June 30, 2020 and 2019.

Start Early has a board-approved distribution policy calculated annually as part of the organizational budget process. The decision to draw a distribution each year is at the discretion of the board. Start Early's investment policies specify a diversified portfolio with ranges for each asset type and include maximum volatility parameters. Start Early has an active Finance Committee that meets regularly to ensure that the objectives of the investment policy are being met, and that the strategies used to meet the objectives are in accordance with the investment policy.

The endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 17,151,828	$ 17,151,828
Board-designated for long-term investment funds	4,813,038	-	4,813,038
Total	$ 4,813,038	$ 17,151,828	$ 21,964,866

Note 10. Endowment Net Assets (Continued)

The changes in endowment net assets for the fiscal year ended June 30, 2020, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 5,011,371	$ 17,858,613	$ 22,869,984
Investment return:			
Investment income	167,920	598,402	766,322
Net loss (realized and unrealized)	(178,245)	(635,195)	(813,440)
Appropriations of endowment assets for expenditures of endowment funds	(188,008)	(669,992)	(858,000)
Endowment net assets, end of year	$ 4,813,038	$ 17,151,828	$ 21,964,866

The endowment net asset composition by type of fund as of June 30, 2019, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 17,858,613	$ 17,858,613
Board-designated for long-term investment funds	5,011,371	-	5,011,371
Total	$ 5,011,371	$ 17,858,613	$ 22,869,984

The changes in endowment net assets for the fiscal year ended June 30, 2019, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 4,982,126	$ 17,754,396	$ 22,736,522
Investment return:			
Investment income	137,841	491,213	629,054
Net gain (realized and unrealized)	88,188	314,269	402,457
Appropriations of endowment assets for expenditures of endowment funds	(196,784)	(701,265)	(898,049)
Endowment net assets, end of year	$ 5,011,371	$ 17,858,613	$ 22,869,984

Note 11. Paycheck Protection Program Loan Payable

In April 2020, Start Early applied for and received a loan in the amount of $5,571,900 from PNC Bank as part of the Paycheck Protection Program (PPP), a loan program administered through the Small Business Administration (SBA), in conjunction with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Start Early determined it was eligible for the loan as the coronavirus pandemic caused financial uncertainty and anticipated decreases in normal cash inflows. The outstanding principal accrues interest at an annual rate of 1%. All outstanding principal and accrued interest is due when the loan matures in April 2022. Under the terms of the loan program, all or a portion of the loan may be forgiven if Start Early uses the proceeds for eligible costs and maintains certain employee and wage rate thresholds.

Note 12. Commitments

Start Early leases office space under operating lease agreements with escalating rental payments. The leases generally provide that Start Early pay for its share of real estate taxes and common area expenses. One lease was amended at the end of fiscal year 2018, resulting in a tenant improvement allowance of approximately $4,700,000, all of which was used in fiscal 2019. The allowance for tenant improvements is included in the deferred rent liability on the consolidated statements of financial position and is being amortized as a reduction to rent expense on a straight-line basis over the life of the lease. At June 30, 2019, approximately $1,800,000 was included in other accounts receivable on the consolidated statement of financial position. This represented amounts owed to Start Early from the landlord related to the tenant improvement allowance.

Rental expense, net of the amortization of deferred rent, was $1,640,728 and $1,314,012 for the years ended June 30, 2020 and 2019, respectively.

Office leases expire during fiscal years 2021 through 2031 and require the following minimum annual lease payments as of June 30, 2020:

Years ending June 30		
2021	$	1,641,977
2022		1,666,957
2023		1,692,023
2024		1,717,177
2025		1,640,496
Thereafter		8,560,745
Total	$	16,919,375

Start Early has a line-of-credit agreement with a bank in the amount of $6,000,000. There were no borrowings against the line at June 30, 2020 and 2019. The interest rate is equal to the daily LIBOR rate, plus 1.85% and the expiration date is March 31, 2021. The interest rates for fiscal years 2020 and 2019 were 2.01% and 2.40%, respectively.

Start Early has several leases for equipment which are classified as capital leases in the financial statements. The net book value of the leased assets at June 30, 2020 and 2019, was $403,998 and $219,131, respectively.

Note 12. Commitments (Continued)

Future minimum lease obligations under capital leases as of June 30, 2020, included in other liabilities on the statement of financial position, are as follows:

Years ending June 30	
2021	$ 130,940
2022	117,653
2023	82,825
2024	4,609
Total minimum lease payments	336,027
Less: amount representing interest	15,621
Present value of minimum lease payments	$ 320,406

Note 13. Retirement Plans

Start Early sponsors a defined contribution 401(k) retirement plan (the Plan). Participants may elect to contribute a percentage of their salaries to the Plan. Start Early contributed 6% of each participant's annual compensation to the Plan in 2020 and 3% in 2019. Start Early recorded contributions of $1,286,998 and $549,263 during the years ended June 30, 2020 and 2019, respectively.

Start Early also sponsors a supplemental employees' retirement plan, an unfunded, non-qualified deferred compensation plan. Start Early did not make contributions to this Plan in 2020 or 2019.

Note 14. Educare Chicago Building

During fiscal year 2000, Start Early commenced the operation of an early childhood education facility located in Chicago, Illinois.

Pursuant to an agreement dated April 1, 1998, with the Chicago School Reform Board of Trustees on behalf of the Board of Education of the City of Chicago (the Board of Education), the title to the facility was transferred from Start Early to the Board of Education. Simultaneously, Start Early entered into an operating lease with the Board of Education for the property for a term of 99 years, with a nominal rent payable per year. Start Early considers the cost of construction of the building to be leasehold improvements.

Start Early depreciates the leasehold improvements cost over 40 years, the estimated useful life of the building, and the related expense is included in total depreciation expense. Donated rent by the Board of Education is recorded in the consolidated statements of activities as a gift in-kind, with an offsetting amount to rent expense. Contributed rent was $75,000 each year for the years ended June 30, 2020 and 2019.

Note 15. Acquisition

In January 2020, Start Early entered into an asset transfer agreement with a Washington nonprofit corporation to take over and expand its home visiting professional development work.

Start Early recorded the acquisition in accordance with the Business Combinations Topic of the ASC, which requires the acquisition method to be used for business combinations.

Note 15. Acquisition (Continued)

There was no consideration transferred for the acquisition, therefore Start Early recognized on its consolidated statement of activities a contribution of net assets of $2,860,732. As a result of the transaction, no identifiable intangible assets were acquired.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash	$	246,520
Pledges receivable - short term		130,874
Grants receivable		180,833
Fixed assets		12,765
Investments		2,462,829
Total assets acquired		3,033,821
Accounts payable		75,928
Accrued expenses		97,161
Total liabilities assumed		173,089
Contribution received from acquisition	$	2,860,732

Included in net assets contributed through the acquisition is $100,000 of donor-restricted funds, which had been contributed to the acquired organization in a previous year. Start Early has maintained that donor restriction upon acquisition and will spend the funds according to their restricted purpose.

Note 16. Related Parties

Donations to Start Early from board members and staff were $2,732,767 and $449,231 for the years ended June 30, 2020 and 2019, respectively.

Note 17. Impact of Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economy, including the geographical area in which the Start Early operates.

With the economic downturn, it is possible that Start Early may experience a decline in contribution and other revenue. To mitigate the financial impact of the pandemic, Start Early applied for and received a PPP loan in the amount of $5,571,900, as described in Note 11, and implemented a cost reduction plan primarily resulting in a reduction of workforce and other general operating expenses. In addition, foundational and individual funders supported Start Early by providing $150,000 directly to families and approximately $762,000 to support Start Early activities related to areas impacted by the pandemic. Also, the U.S. Department of Health and Human Services Administration for Children and Families awarded $986,956 to prevent, prepare for, and respond to coronavirus disease.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to Start Early.

Supplemental Information

Start Early (formerly Ounce of Prevention Fund)

Consolidating Statement of Financial Position
June 30, 2020 (With Comparative Totals for 2019)

	2020			
	Start Early[1]	Bounce DC	Total	2019
Assets				
Current assets:				
Cash and cash equivalents	$ 15,072,718	$ 160,366	$ 15,233,084	$ 14,831,832
Accounts receivable - governmental agencies and other, net	8,983,490	-	8,983,490	8,870,374
Pledges receivable, current	8,886,292	-	8,886,292	7,722,197
Deposits, prepaid expenses and other assets	760,790	-	760,790	469,576
Total current assets	33,703,290	160,366	33,863,656	31,893,979
Investments:				
Donor and board designated	21,964,866	-	21,964,866	22,869,984
Undesignated	4,394,967	-	4,394,967	1,943,103
Total investments	26,359,833	-	26,359,833	24,813,087
NMTC note receivable	-	-	-	10,700,070
Pledges receivable, net of current portion	10,882,706	-	10,882,706	6,092,890
Property, plant and equipment, net	10,993,651	-	10,993,651	11,090,747
Total assets	$ 81,939,480	$ 160,366	$ 82,099,846	$ 84,590,773
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	$ 9,356,489	$ -	$ 9,356,489	$ 8,305,005
Deferred revenue	711,199	-	711,199	1,050,075
Current portion of lease liability	133,583	-	133,583	111,400
Total current liabilities	10,201,271	-	10,201,271	9,466,480
Paycheck Protection Program loan payable	5,571,900	-	5,571,900	-
Capital lease liability, net of current portion	186,823	-	186,823	99,119
Deferred rent	4,308,158	-	4,308,158	4,485,236
Other liabilities	169,520	-	169,520	184,093
Total liabilities	20,437,672	-	20,437,672	14,234,928
Net assets:				
Without donor restriction:				
Undesignated	9,994,072	160,366	10,154,438	23,598,045
Board designated	4,813,038	-	4,813,038	5,011,371
	14,807,110	160,366	14,967,476	28,609,416
With donor restrictions	46,694,698	-	46,694,698	41,746,429
Total net assets	61,501,808	160,366	61,662,174	70,355,845
Total liabilities and net assets	$ 81,939,480	$ 160,366	$ 82,099,846	$ 84,590,773

[1] Start Early includes the financial information of FFYF

Start Early (formerly Ounce of Prevention Fund)

Consolidating Statement of Activities
Year ended June 30, 2020

	Start Early[1]			Bounce DC	Total		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction	With Donor Restriction	Total
Revenue and other support:							
Grants:							
State of Illinois Department of Human Services:							
Division of Family and Community Services	$ 11,018,047	$ -	$ 11,018,047	$ -	$ 11,018,047	$ -	$ 11,018,047
Bureau of Child Care and Development	606,222	-	606,222	-	606,222	-	606,222
Illinois State Board of Education	4,676,551	-	4,676,551	-	4,676,551	-	4,676,551
State of Illinois Department of Children and Family Services	37,282	-	37,282	-	37,282	-	37,282
U.S. Department of Health and Human Services	16,491,279	-	16,491,279	-	16,491,279	-	16,491,279
U.S. Department of Agriculture	82,743	-	82,743	-	82,743	-	82,743
City of Chicago-DFSS	3,263,459	-	3,263,459	-	3,263,459	-	3,263,459
Washington State Department of Children, Youth and Families	469,229	-	469,229	-	469,229	-	469,229
Other grants	121,584	-	121,584	-	121,584	-	121,584
Contributions	5,882,466	27,284,971	33,167,437	-	5,882,466	27,284,971	33,167,437
Investment return, net	986,780	(36,793)	949,987	463	987,243	(36,793)	950,450
Other revenue	2,260,644	-	2,260,644	21,102	2,281,746	-	2,281,746
Donated service/in-kind	411,765	-	411,765	27,046	438,811	-	438,811
Net assets released from restrictions	21,996,676	(21,996,676)	-	-	21,996,676	(21,996,676)	-
Total revenue and other support	68,304,727	5,251,502	73,556,229	48,611	68,353,338	5,251,502	73,604,840
Expenses:							
Direct program services:							
Direct work with children	29,628,051	-	29,628,051	-	29,628,051	-	29,628,051
Program and professional innovation	20,722,930	-	20,722,930	-	20,722,930	-	20,722,930
Policy and systems innovation	7,928,046	-	7,928,046	-	7,928,046	-	7,928,046
Infrastructure and support	5,714,692	-	5,714,692	-	5,714,692	-	5,714,692
Total direct program services	63,993,719	-	63,993,719	-	63,993,719	-	63,993,719
Bounce DC	-	-	-	77,409	77,409	-	77,409
Total program services	63,993,719	-	63,993,719	77,409	64,071,128	-	64,071,128
Supporting services:							
General and administrative activities	6,910,439	-	6,910,439	-	6,910,439	-	6,910,439
Fund-raising	3,074,373	-	3,074,373	-	3,074,373	-	3,074,373
Total supporting services	9,984,812	-	9,984,812	-	9,984,812	-	9,984,812
Total expenses	73,978,531	-	73,978,531	77,409	74,055,940	-	74,055,940
Change in net assets before other changes	(5,673,804)	5,251,502	(422,302)	(28,798)	(5,702,602)	5,251,502	(451,100)
Other changes in net assets:							
Contribution of net assets received from acquisition	2,760,732	100,000	2,860,732	-	2,760,732	100,000	2,860,732
Loss for uncollectible promises to give	-	(403,233)	(403,233)	-	-	(403,233)	(403,233)
NMTC loan forgiveness	-	-	-	(10,700,070)	(10,700,070)	-	(10,700,070)
	2,760,732	(303,233)	2,457,499	(10,700,070)	(7,939,338)	(303,233)	(8,242,571)
Change in net assets	(2,913,072)	4,948,269	2,035,197	(10,728,868)	(13,641,940)	4,948,269	(8,693,671)
Net assets at beginning of year	17,720,182	41,746,429	59,466,611	10,889,234	28,609,416	41,746,429	70,355,845
Net assets at end of year	$ 14,807,110	$ 46,694,698	$ 61,501,808	$ 160,366	$ 14,967,476	$ 46,694,698	$ 61,662,174

[1] Start Early includes the financial information of FFYF

Start Early (formerly Ounce of Prevention Fund)

Consolidating Statement of Activities
Year ended June 30, 2019

	Start Early[1]			Bounce DC	Total		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction	With Donor Restriction	Total
Revenue and other support:							
Grants:							
State of Illinois Department of Human Services:							
Division of Family and Community Services	$ 11,307,096	$ -	$ 11,307,096	$ -	$ 11,307,096	$ -	$ 11,307,096
Bureau of Child Care and Development	530,761	-	530,761	-	530,761	-	530,761
Illinois State Board of Education	4,553,810	-	4,553,810	-	4,553,810	-	4,553,810
State of Illinois Department of Children and Family Services	26,644	-	26,644	-	26,644	-	26,644
U.S. Department of Health and Human Services	16,374,008	-	16,374,008	-	16,374,008	-	16,374,008
U.S. Department of Agriculture	126,639	-	126,639	-	126,639	-	126,639
City of Chicago-DFSS	3,281,543	-	3,281,543	-	3,281,543	-	3,281,543
Contributions	5,198,016	21,696,908	26,894,924	-	5,198,016	21,696,908	26,894,924
Investment return, net	1,134,846	805,482	1,940,328	743	1,135,589	805,482	1,941,071
Other revenue	1,945,979	-	1,945,979	107,001	2,052,980	-	2,052,980
Donated service/in-kind	623,907	-	623,907	11,363	635,270	-	635,270
Net assets released from restrictions	23,259,378	(23,259,378)	-	-	23,259,378	(23,259,378)	-
Total revenue and other support	68,362,627	(756,988)	67,605,639	119,107	68,481,734	(756,988)	67,724,746
Expenses:							
Direct program services:							
Direct work with children	29,733,617	-	29,733,617	-	29,733,617	-	29,733,617
Program and professional innovation	23,808,104	-	23,808,104	-	23,808,104	-	23,808,104
Policy and systems innovation	3,659,557	-	3,659,557	-	3,659,557	-	3,659,557
Infrastructure and support	4,590,766	-	4,590,766	-	4,590,766	-	4,590,766
Total direct program services	61,792,044	-	61,792,044	-	61,792,044	-	61,792,044
Bounce DC	-	-	-	163,200	163,200	-	163,200
Total program services	61,792,044	-	61,792,044	163,200	61,955,244	-	61,955,244
Supporting services:							
General and administrative activities	6,704,820	-	6,704,820	-	6,704,820	-	6,704,820
Fund-raising	2,190,412	-	2,190,412	-	2,190,412	-	2,190,412
Total supporting services	8,895,232	-	8,895,232	-	8,895,232	-	8,895,232
Total expenses	70,687,276	-	70,687,276	163,200	70,850,476	-	70,850,476
Change in net assets	(2,324,649)	(756,988)	(3,081,637)	(44,093)	(2,368,742)	(756,988)	(3,125,730)
Net assets at beginning of year	20,044,831	42,503,417	62,548,248	10,933,327	30,978,158	42,503,417	73,481,575
Net assets at end of year	$ 17,720,182	$ 41,746,429	$ 59,466,611	$ 10,889,234	$ 28,609,416	$ 41,746,429	$ 70,355,845

[1] Start Early includes the financial information of FFYF