Start Early

Consolidated Financial Report, Single Audit and
Supplementary Reporting
June 30, 2022

Contents

Independent Auditor's Report

Board of Directors
Start Early

Report on the Audit of the Financial Statements

Opinion
We have audited the consolidated financial statements of Start Early and its subsidiaries (Start Early), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Start Early and subsidiaries as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Start Early and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Start Early's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Start Early's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Start Early's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 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 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 financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2023 on our consideration of Start Early's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Start Early's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Start Early's internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
February 24, 2023

Start Early

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 12,395,310	$ 16,548,338
Accounts receivable—governmental agencies and other, net	13,907,219	7,389,902
Pledges receivable, current	9,651,721	8,811,399
Deposits, prepaid expenses and other assets	1,354,416	957,659
Total current assets	37,308,666	33,707,298
Investments:		
Undesignated	4,302,875	4,320,435
Donor and board designated	22,458,264	26,711,473
Total investments	26,761,139	31,031,908
Pledges receivable, net of current portion	5,128,035	9,218,765
Property, plant and equipment, net	9,309,017	10,473,634
Total assets	$ 78,506,857	$ 84,431,605
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,721,585	$ 10,294,189
Deferred revenue	561,402	1,382,766
Current portion of lease liability	81,774	112,655
Total current liabilities	13,364,761	11,789,610
Paycheck Protection Program loan payable	-	5,487,531
Capital lease liability, net of current portion	4,532	86,306
Deferred rent	3,570,474	3,950,824
Other liabilities	225,082	244,151
Total liabilities	17,164,849	21,558,422
Net assets:		
Without donor restrictions:		
Undesignated	8,319,280	8,370,234
Board designated	4,922,560	5,854,540
	13,241,840	14,224,774
With donor restrictions	48,100,168	48,648,409
Total net assets	61,342,008	62,873,183
Total liabilities and net assets	$ 78,506,857	$ 84,431,605

See notes to consolidated financial statements.

Start Early

Consolidated Statement of Activities
Year Ended June 30, 2022

	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	$ 11,046,100	$ -	$ 11,046,100
Bureau of Child Care and Development	230,379	-	230,379
Illinois State Board of Education	4,478,139	-	4,478,139
State of Illinois Department of Children and Family Services	10,922	-	10,922
U.S. Department of Health and Human Services	37,321,238	-	37,321,238
U.S. Department of Agriculture	98,400	-	98,400
City of Chicago-DFSS	1,193,221	-	1,193,221
Washington State Department of Children, Youth and Families	1,409,560	-	1,409,560
Other grants	863,423	-	863,423
Contributions	7,003,014	17,567,217	24,570,231
Investment return (loss), net	2,492,389	(2,609,070)	(116,681)
Other revenue	3,178,088	-	3,178,088
Donated service/in-kind	740,990	-	740,990
Net assets released from restrictions	15,506,388	(15,506,388)	-
Total revenue and other support	85,572,251	(548,241)	85,024,010
Expenses:			
Program services:			
Direct work with children	42,601,712	-	42,601,712
Program and professional innovation	22,820,283	-	22,820,283
Policy and systems innovation	8,269,383	-	8,269,383
Infrastructure and support	5,721,219	-	5,721,219
Total direct program services	79,412,597	-	79,412,597
Bounce DC	160,406	-	160,406
Total program services	79,573,003	-	79,573,003
Supporting services:			
General and administrative activities	7,884,137	-	7,884,137
Fund-raising	2,747,747	-	2,747,747
Total supporting services	10,631,884	-	10,631,884
Total expenses	90,204,887	-	90,204,887
Change in net assets before other change	(4,632,636)	(548,241)	(5,180,877)
Other change in net assets:			
Forgiveness of Paycheck Protection Program loan payable	3,649,702	-	3,649,702
Change in net assets	(982,934)	(548,241)	(1,531,175)
Net assets at beginning of year	14,224,774	48,648,409	62,873,183
Net assets at end of year	$ 13,241,840	$ 48,100,168	$ 61,342,008

See notes to consolidated financial statements.

Start Early

Consolidated Statement of Activities
Year Ended June 30, 2021

	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	$ 11,117,143	$ -	$ 11,117,143
Bureau of Child Care and Development	72,375	-	72,375
Illinois State Board of Education	4,307,823	-	4,307,823
State of Illinois Department of Children and Family Services	4,692	-	4,692
U.S. Department of Health and Human Services	20,691,003	-	20,691,003
U.S. Department of Agriculture	31,813	-	31,813
City of Chicago-DFSS	2,458,478	-	2,458,478
Washington State Department of Children, Youth and Families	1,140,085	-	1,140,085
Other grants	843,100	-	843,100
Contributions	5,720,233	20,247,181	25,967,414
Investment return, net	1,922,825	4,424,292	6,347,117
Other revenue	2,453,258	-	2,453,258
Donated service/in-kind	839,190	-	839,190
Net assets released from restrictions	22,717,762	(22,717,762)	-
Total revenue and other support	74,319,780	1,953,711	76,273,491
Expenses:			
Program services:			
Direct work with children	30,063,928	-	30,063,928
Program and professional innovation	21,992,534	-	21,992,534
Policy and systems innovation	7,928,821	-	7,928,821
Infrastructure and support	5,870,155	-	5,870,155
Total program services	65,855,438	-	65,855,438
Supporting services:			
General and administrative activities	6,878,795	-	6,878,795
Fund-raising	2,442,397	-	2,442,397
Total supporting services	9,321,192	-	9,321,192
Total expenses	75,176,630	-	75,176,630
Change in net assets before other change	(856,850)	1,953,711	1,096,861
Other change in net assets:			
Contribution of net assets received from acquisition	114,148	-	114,148
Change in net assets	(742,702)	1,953,711	1,211,009
Net assets at beginning of year	14,967,476	46,694,698	61,662,174
Net assets at end of year	$ 14,224,774	$ 48,648,409	$ 62,873,183

See notes to consolidated financial statements.

Start Early

Consolidated Statement of Functional Expenses
Year ended June 30, 2022

	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	$ 11,416,014	$ 15,281,022	$ 5,232,818	$ 3,683,334	$ 35,613,188	$ -	$ 35,613,188	$ 5,534,535	$ 2,344,995	$ 43,492,718
Professional services	1,449,794	2,373,264	1,922,598	869,125	6,614,781	19,644	6,634,425	623,686	88,936	7,347,047
Subcontracted program services	25,928,826	3,527,784	212,000	-	29,668,610	-	29,668,610	-	-	29,668,610
Travel	26,136	182,406	75,702	11,307	295,551	-	295,551	11,876	2,410	309,837
Conference and meetings	149,931	195,077	23,848	15,338	384,194	-	384,194	20,656	21,347	426,197
Occupancy	891,899	79,256	52,528	4,070	1,027,753	-	1,027,753	23,923	3,144	1,054,820
Rent, net of construction allowance amortization	388,256	489,857	255,011	135,427	1,268,551	-	1,268,551	232,775	90,653	1,591,979
Supplies	822,150	59,440	10,870	10,715	903,175	-	903,175	15,121	496	918,792
Membership dues	112,102	60,290	113,457	41,157	327,006	-	327,006	146,537	12,917	486,460
Depreciation	599,576	5,527	-	614,280	1,219,383	-	1,219,383	-	-	1,219,383
Casualty and liability insurance	-	-	-	-	-	10,263	10,263	91,402	-	101,665
Equipment and computer software	211,421	295,147	63,967	13,209	583,744	-	583,744	993,873	142,335	1,719,952
Postage, printing and copying	93,518	112,095	7,890	3,667	217,170	-	217,170	18,027	4,000	239,197
Direct program services	167,892	41,043	10,975	1,591	221,501	-	221,501	-	-	221,501
Management consulting fees	-	9,517	262,827	37,000	309,344	-	309,344	118,753	-	428,097
Miscellaneous	344,197	108,558	24,892	280,999	758,646	130,499	889,145	52,973	36,514	978,632
Total expenses	$ 42,601,712	$ 22,820,283	$ 8,269,383	$ 5,721,219	$ 79,412,597	$ 160,406	$ 79,573,003	$ 7,884,137	$ 2,747,747	$ 90,204,887

See notes to consolidated financial statements.

Start Early

Consolidated Statement of Functional Expenses
Year ended June 30, 2021

	Direct Program Services							
	Direct Work With Children	Program and Professional Innovation	Policy and Systems Innovation	Infrastructure and Support	Total Program Services	General and Administrative Activities	Fund-raising	Total
Personnel	$ 9,062,123	$ 13,554,197	$ 4,885,625	$ 3,795,503	$ 31,297,448	$ 4,349,410	$ 2,117,194	$ 37,764,052
Professional services	674,598	2,314,085	2,195,529	596,165	5,780,377	1,189,024	112,774	7,082,175
Subcontracted program services	18,338,072	4,751,482	25,000	-	23,114,554	-	-	23,114,554
Travel	2,353	8,251	620	1,014	12,238	1,024	-	13,262
Conference and meetings	64,318	235,365	7,819	7,365	314,867	6,857	-	321,724
Occupancy	449,227	72,601	44,407	6,306	572,541	21,987	5,068	599,596
Rent, net of construction allowance amortization	237,308	564,691	251,126	123,129	1,176,254	304,003	98,943	1,579,200
Supplies	223,336	46,844	10,778	368	281,326	7,187	551	289,064
Membership dues	97,161	86,914	198,971	32,965	416,011	163,129	13,831	592,971
Depreciation	446,696	5,527	-	678,127	1,130,350	-	-	1,130,350
Casualty and liability insurance	36,626	43,297	11,951	20,310	112,184	-	5,313	117,497
Equipment and computer software	183,827	206,846	58,988	76,523	526,184	665,002	53,283	1,244,469
Postage, printing and copying	64,223	30,981	10,163	8,442	113,809	55,203	9,169	178,181
Direct program services	95,187	14,836	2,792	-	112,815	-	-	112,815
Management consulting fees	-	15,000	166,351	142,677	324,028	79,744	-	403,772
Miscellaneous	88,873	41,617	58,701	381,261	570,452	36,225	26,271	632,948
Total expenses	$ 30,063,928	$ 21,992,534	$ 7,928,821	$ 5,870,155	$ 65,855,438	$ 6,878,795	$ 2,442,397	$ 75,176,630

See notes to consolidated financial statements.

Start Early

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

		2022		2021
Cash flows from operating activities:				
Change in net assets	**$**	**(1,531,175)**	$	1,211,009
Adjustments to reconcile change in net assets to				
net cash (used in) provided by operating activities:				
Depreciation		**1,219,383**		1,130,350
Bad debt write-offs		**-**		4,238
Net realized and unrealized losses (gains) on investments		**3,283,368**		(4,980,595)
Contribution of net assets received from acquisition		**-**		(114,148)
Paycheck Protection Program loan forgiveness		**(3,649,702)**		-
Changes in:				
Accounts and pledges receivable		**(3,266,909)**		3,328,184
Deposits, prepaid expenses and other assets		**(396,757)**		(196,869)
Accounts payable and accrued expenses		**2,427,396**		842,765
Other liabilities and deferred revenue		**(1,220,783)**		388,864
Net cash (used in) provided by operating activities		**(3,135,179)**		1,613,798
Cash flows from investing activities:				
Purchases of property and equipment		**(54,766)**		(515,398)
Proceeds from sales of investments		**3,876,592**		4,520,230
Purchases of investments		**(2,889,191)**		(4,211,710)
Cash acquired in acquisition		**-**		114,148
Net cash provided by (used in) investing activities		**932,635**		(92,730)
Cash flows from financing activities:				
Payments made on capital lease obligations		**(112,655)**		(121,445)
Repayment of Paycheck Protection Program loan excess amount		**(1,837,829)**		(84,369)
Net cash used in financing activities		**(1,950,484)**		(205,814)
Net (decrease) increase in cash and cash equivalents		**(4,153,028)**		1,315,254
Cash and cash equivalents at beginning of year		**16,548,338**		15,233,084
Cash and cash equivalents at end of year	**$**	**12,395,310**	$	16,548,338
Supplemental cash flow information:				
Fixed asset additions included in accounts payable	**$**	**-**	$	94,935
Cash paid for interest	**$**	**4,998**	$	9,496
Acquisition transaction:				
Assets acquired	**$**	**-**	$	114,148
Liabilities assumed		**-**		-
		-		114,148
Less cash acquired		**-**		114,148
Noncash net identifiable assets acquired	**$**	**-**	$	-

See notes to consolidated financial statements.

Note 1. General

Start Early (formerly Ounce of Prevention Fund) 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. 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 a New Market Tax Credit transaction that took place during the fiscal year ended June 30, 2013. Bounce DC filed for dissolution on July 7, 2022.

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, 2022 and 2021. 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 $190,000 and $160,000 for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, approximately 11% of accounts receivable were due from one state agency, and 26% from one federal agency. As of June 30, 2021, approximately 11% of accounts receivable were due from one state agency, and 36% from three foundations.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Donor and board designated investments are presented in the consolidated 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, 2022 or 2021. The remainder of undesignated investments are mutual funds, which are presented at fair value.

Investment return, realized gains (losses) and changes in unrealized gains (losses) are reflected in the consolidated 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 $3,216,247 and $675,529 in distributions from the cost method limited partnership for the years ended June 30, 2022 and 2021, 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 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 to 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 $35,000,000, 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: Contributions, including donors' unconditional promises to give, are recognized as revenue at the net realizable value when the donor's commitment is received. All contributions are considered to be available for the general programs of Start Early unless specifically restricted by the donor.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

Donated service/in-kind: Contributed services represent services requiring specialized skills that Start Early would typically purchase, such as legal and consulting services. Gifts in-kind consist mainly of free rent. Unless otherwise specified, contributed nonfinancial assets generally do not have any donor-imposed restrictions. 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 consolidated 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 in Start Early programs include discounted consulting and legal fees, and donated salary from one staff member. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar legal and consulting services. The contributed salary and benefits are valued based on salaries in comparable nonprofit organizations.

Functional allocation of expenses: The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021, 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 restrictions or spent on restricted purposes.

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, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU addresses presentation and disclosure requirements for contributed nonfinancial assets by nonprofit entities. Adoption of this new standard did not have a significant impact on Start Early's consolidated financial statements.

Pending accounting pronouncements: 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. Start Early is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Subsequent events: Start Early evaluated its June 30, 2022, consolidated financial statements for subsequent events through February 24, 2023, 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:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 12,395,310	$ 16,548,338
Accounts receivable—governmental agencies and other, net	13,907,219	7,389,902
Pledges receivable	14,779,756	18,030,164
Donor and board designated investments	22,458,264	26,711,473
Undesignated investments	4,302,875	4,320,435
Total financial assets	67,843,424	73,000,312
Less amounts not available to be used within one year:		
Donor restricted and board designated net assets	53,022,728	54,502,949
Less anticipated endowment appropriation	(965,000)	(912,000)
Less pledges receivable without purpose restrictions due within one year	(2,394,070)	(2,774,200)
Undesignated investments—long-term	4,302,875	4,320,435
	53,966,533	55,137,184
Total financial assets available within one year	13,876,891	17,863,128
Liquidity resources:		
Bank line of credit	6,000,000	6,000,000
Total financial assets and liquidity resources available within one year	$ 19,876,891	$ 23,863,128

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.

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 $4,922,560. 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 5%, based on the year in which the pledge was received. An allowance for uncollectible pledges receivable is provided based upon management's judgment. Pledges receivable expected to be received in future years are as follows:

	2022	2021
Corporations, foundations, individuals and trusts	$ 15,376,721	$ 18,641,899
Less unamortized discount	(556,965)	(541,735)
Less allowance for uncollectible pledges	(40,000)	(70,000)
Net pledges receivable	$ 14,779,756	$ 18,030,164
Amount due in:		
Less than one year	$ 9,691,721	$ 8,881,399
One to five years	5,685,000	9,660,500
Five to 10 years	-	100,000
Total	$ 15,376,721	$ 18,641,899

Note 5. 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, 2022 and 2021, is summarized as follows:

	2022			2021		
	Undesignated	Donor and Board Designated	Total	Undesignated	Donor and Board Designated	Total
Publicly traded:						
Money market funds	$ -	$ 788,617	$ 788,617	$ 1,079	$ 15,882	$ 16,961
Equity securities	-	-	-	-	615,857	615,857
Mutual funds	2,318,783	16,173,149	18,491,932	2,316,194	19,780,761	22,096,955
Supplemental employees' retirement plan (mutual funds)	225,082	-	225,082	244,152	-	244,152
Total publicly traded	2,543,865	16,961,766	19,505,631	2,561,425	20,412,500	22,973,925
Other investments:						
Limited partnerships	1,759,010	5,496,498	7,255,508	1,759,010	6,298,973	8,057,983
Total	$ 4,302,875	$ 22,458,264	$ 26,761,139	$ 4,320,435	$ 26,711,473	$ 31,031,908

Note 6. 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.

Note 6. Fair Value Disclosures (Continued)

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.

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 Weatherlow Offshore Fund I Ltd. (Weatherlow) limited partnership is 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, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 788,617	$ -	$ -	$ 788,617
Mutual funds	18,717,014	-	-	18,717,014
	$ 19,505,631	$ -	$ -	19,505,631
Limited partnerships measured at NAV				5,496,498
Limited partnerships measured at cost				1,759,010
				$ 26,761,139

Note 6. 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, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 16,961	$ -	$ -	$ 16,961
Equity securities	615,857	-	-	615,857
Mutual funds	22,341,107	-	-	22,341,107
	$ 22,973,925	$ -	$ -	22,973,925
Limited partnerships measured at NAV				6,298,973
Limited partnerships measured at cost				1,759,010
				$ 31,031,908

Investments measured at NAV using the practical expedient as of June 30, 2022, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Weatherlow (a)	$ 5,496,498	$ -	See below	See below
Balance as of June 30, 2022	$ 5,496,498	$ -		

Investments measured at NAV using the practical expedient as of June 30, 2021, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Weatherlow (a)	$ 6,298,973	$ -	See below	See below
Balance as of June 30, 2021	$ 6,298,973	$ -		

(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.

Note 7. Property, Plant and Equipment

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

	2022	2021
Furniture and equipment	$ 2,905,344	$ 2,843,563
Building and leasehold improvements	15,495,123	15,507,717
Equipment financed through capital leases	378,131	378,131
Total property, plant and equipment	18,778,598	18,729,411
Less accumulated depreciation	(9,469,581)	(8,255,777)
Property, plant and equipment, net	$ 9,309,017	$ 10,473,634

Depreciation expense was $1,219,383 and $1,130,350 for the years ended June 30, 2022 and 2021, respectively.

Note 8. Net Assets with Donor Restrictions

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

	2022	2021
Subject to the passage of time:		
Pledges receivable without purpose restrictions	$ 5,433,135	$ 7,498,559
Subject to purpose restrictions:		
Direct work with children	575,273	589,980
Program and professional innovation	5,918,724	5,780,962
Policy and system innovation	13,837,878	9,100,040
Infrastructure and support	4,799,454	4,821,935
Endowment returns subject to future appropriations	2,882,955	6,204,184
Amounts with perpetual restrictions	14,652,749	14,652,749
Total net assets with donor restrictions	$ 48,100,168	$ 48,648,409

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, 2022 and 2021, as follows:

	2022	2021
Direct work with children	$ 290,418	$ 153,689
Program and professional innovation	8,817,389	11,716,866
Policy and systems innovation	3,350,126	6,299,122
Infrastructure and support	2,336,296	3,828,898
Endowment appropriations	712,159	719,187
Total	$ 15,506,388	$ 22,717,762

Note 9. 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, 2022 and 2021.

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, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 17,535,704	$ 17,535,704
Board-designated for long-term investment funds	4,922,560	-	4,922,560
Total	$ 4,922,560	$ 17,535,704	$ 22,458,264

Note 9. Endowment Net Assets (Continued)

The changes in endowment net assets for the fiscal year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 5,854,540	$ 20,856,933	$ 26,711,473
Investment loss	(732,139)	(2,609,070)	(3,341,209)
Appropriations of endowment assets for expenditures of endowment funds	(199,841)	(712,159)	(912,000)
Endowment net assets, end of year	$ 4,922,560	$ 17,535,704	$ 22,458,264

The endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 20,856,933	$ 20,856,933
Board-designated for long-term investment funds	5,854,540	-	5,854,540
Total	$ 5,854,540	$ 20,856,933	$ 26,711,473

The changes in endowment net assets for the fiscal year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,813,038	$ 17,151,828	$ 21,964,866
Investment return	1,243,315	4,424,292	5,667,607
Appropriations of endowment assets for expenditures of endowment funds	(201,813)	(719,187)	(921,000)
Endowment net assets, end of year	$ 5,854,540	$ 20,856,933	$ 26,711,473

Note 10. 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 accrued interest at an annual rate of 1%. All outstanding principal and accrued interest were due at maturity in April 2022. Under the terms of the loan program, the portion of the loan used for eligible costs were subject to forgiveness if Start Early maintained certain employee and wage rate thresholds. During fiscal year 2021, Start Early repaid an excess loan amount of $84,369, resulting in an outstanding loan balance at June 30, 2021 of $5,487,531. During fiscal year 2022, Start Early requested and was granted forgiveness for $3,649,702 of its PPP loan plus related interest. The balance of the loan of $1,837,829 that was not forgiven was repaid in January 2022.

Note 11. 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. As of June 30, 2022, the deferred tenant improvement allowance balance was $3,196,626.

Rental expense, net of the amortization of deferred rent, was $1,591,979 and $1,579,200 for the years ended June 30, 2022 and 2021, respectively.

Office leases expire at various dates through 2031 and require the following minimum annual lease payments as of June 30, 2022:

Years ending June 30		
2023	$	1,758,911
2024		1,785,073
2025		1,640,496
2026		1,612,322
2027		1,633,867
Thereafter		5,314,555
Total	$	13,745,224

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, 2022 and 2021. The interest rate is equal to the sum of a rate equal to the secured overnight financing rate as administered by the New York Federal Reserve Bank plus 2.1% and the expiration date is August 31, 2023. The interest rates for fiscal years 2022 and 2021 were 3.6% and 2.98%, respectively.

Start Early has several leases for equipment which are classified as capital leases in the consolidated financial statements. The net book value of the leased assets at June 30, 2022 and 2021, was $83,240 and $263,617, respectively.

Note 11. Commitments (Continued)

Future minimum lease obligations under capital leases as of June 30, 2022, included in other liabilities on the consolidated statement of financial position, are as follows:

Years ending June 30		
2023	$	83,617
2024		4,532
Total minimum lease payments		88,149
Less amount representing interest		1,843
Present value of minimum lease payments	$	86,306

Note 12. 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 3% of each participant's annual compensation to the Plan in 2022 and 3.8% in 2021. Start Early recorded contributions of $1,040,479 and $1,033,712 during the years ended June 30, 2022 and 2021, 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 2022 or 2021.

Note 13. 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, 2022 and 2021.

Note 14. Acquisition

In April 2021, Start Early assumed the activities of Early Learning Lab, formerly a project of the New Venture Fund, with the goal of broadening and deepening Start Early expertise in human-centered design and technology approaches to early childhood innovation. Start Early recorded the transaction in accordance with the Business Combinations Topic of the Accounting Standards Codification, which requires the acquisition method to be used for business combinations. There was no consideration transferred for the acquisition, therefore, Start Early recognized on its consolidated statement of activities a contribution of net assets without donor restrictions (consisting entirely of cash; no identifiable intangible assets were acquired) of $114,148.

Note 15. Related Parties

Donations to Start Early from board members and staff were $3,152,080 and $3,151,980 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, $410,558 and $1,746,188 were included in pledges receivable.

Note 16. Donated services/in-kind

Start Early's recognized contributed nonfinancial assets totaling $740,990 and $839,190 in 2022 and 2021, respectively, included services, salaries and benefits and rent.

Contributed services of $78,504 in 2022 and $201,690 in 2021 consist mainly of professional services from attorneys advising Start Early on various administrative legal matters and consultant services for various marketing and management consulting. Contributed services were utilized in the following programs: direct work with children, policy and systems innovation, infrastructure and support and general and administrative services.

The contributed salary and benefits totaling $587,486 and $562,500 in 2022 and 2021, respectively, were utilized in the following programs: policy and systems innovation, infrastructure and support and general and administrative services.

The contributed rent of $75,000 in 2022 and 2021 is the estimated fair value of rent for the Educare Chicago Building, based upon the fair rental value of the land. Contributed rent was utilized in the direct work with children program.

Note 17. Impact of Coronavirus Pandemic

To mitigate the financial impact of the pandemic, Start Early applied for and received a PPP loan in the amount of $5,487,531, as described in Note 10, and implemented a cost reduction plan primarily resulting in a reduction of workforce and other general operating expenses. Since the start of the pandemic and through fiscal year 2021, foundational and individual funders supported Start Early by providing $695,925 of emergency relief funds for families. Additionally, the U.S. Department of Health and Human Services Administration for Children and Families had awarded $4,625,277 to prevent, prepare for, and respond to coronavirus disease.

Supplemental Information

Start Early

Consolidating Statement of Financial Position
June 30, 2022 (With Comparative Totals for 2021)

	2022			
	Start Early[1]	**Bounce DC**	**Total**	2021
Assets				
Current assets:				
Cash and cash equivalents	**$ 12,395,310**	**$ -**	**$ 12,395,310**	$ 16,548,338
Accounts receivable—governmental agencies and other, net	**13,907,219**	**-**	**13,907,219**	7,389,902
Pledges receivable, current	**9,651,721**	**-**	**9,651,721**	8,811,399
Deposits, prepaid expenses and other assets	**1,354,416**	**-**	**1,354,416**	957,659
Total current assets	**37,308,666**	**-**	**37,308,666**	33,707,298
Investments:				
Undesignated	**4,302,875**	**-**	**4,302,875**	4,320,435
Donor and board designated	**22,458,264**	**-**	**22,458,264**	26,711,473
Total investments	**26,761,139**	**-**	**26,761,139**	31,031,908
Pledges receivable, net of current portion	**5,128,035**	**-**	**5,128,035**	9,218,765
Property, plant and equipment, net	**9,309,017**	**-**	**9,309,017**	10,473,634
Total assets	**$ 78,506,857**	**$ -**	**$ 78,506,857**	$ 84,431,605
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	**$ 12,721,585**	**$ -**	**$ 12,721,585**	$ 10,294,189
Deferred revenue	**561,402**	**-**	**561,402**	1,382,766
Current portion of lease liability	**81,774**	**-**	**81,774**	112,655
Total current liabilities	**13,364,761**	**-**	**13,364,761**	11,789,610
Paycheck Protection Program loan payable	**-**	**-**	**-**	5,487,531
Capital lease liability, net of current portion	**4,532**	**-**	**4,532**	86,306
Deferred rent	**3,570,474**	**-**	**3,570,474**	3,950,824
Other liabilities	**225,082**	**-**	**225,082**	244,151
Total liabilities	**17,164,849**	**-**	**17,164,849**	21,558,422
Net assets:				
Without donor restrictions:				
Undesignated	**8,319,280**	**-**	**8,319,280**	8,370,234
Board designated	**4,922,560**	**-**	**4,922,560**	5,854,540
	13,241,840	**-**	**13,241,840**	14,224,774
With donor restrictions	**48,100,168**	**-**	**48,100,168**	48,648,409
Total net assets	**61,342,008**	**-**	**61,342,008**	62,873,183
Total liabilities and net assets	**$ 78,506,857**	**$ -**	**$ 78,506,857**	$ 84,431,605

[1] Start Early includes the financial information of FFYF

Start Early

Consolidating Statement of Activities
Year Ended June 30, 2022

	Start Early[1]			Bounce DC	Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	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	$ 11,046,100	$ -	$ 11,046,100	$ -	$ 11,046,100	$ -	$ 11,046,100
Bureau of Child Care and Development	230,379	-	230,379	-	230,379	-	230,379
Illinois State Board of Education	4,478,139	-	4,478,139	-	4,478,139	-	4,478,139
State of Illinois Department of Children and Family Services	10,922	-	10,922	-	10,922	-	10,922
U.S. Department of Health and Human Services	37,321,238	-	37,321,238	-	37,321,238	-	37,321,238
U.S. Department of Agriculture	98,400	-	98,400	-	98,400	-	98,400
City of Chicago-DFSS	1,193,221	-	1,193,221	-	1,193,221	-	1,193,221
Washington State Department of Children, Youth and Families	1,409,560	-	1,409,560	-	1,409,560	-	1,409,560
Other grants	863,423	-	863,423	-	863,423	-	863,423
Contributions	7,003,014	17,567,217	24,570,231	-	7,003,014	17,567,217	24,570,231
Investment return (loss), net	2,492,386	(2,609,070)	(116,684)	3	2,492,389	(2,609,070)	(116,681)
Other revenue	3,178,088	-	3,178,088	-	3,178,088	-	3,178,088
Donated service/in-kind	740,990	-	740,990	-	740,990	-	740,990
Net assets released from restrictions	15,506,388	(15,506,388)	-	-	15,506,388	(15,506,388)	-
Total revenue and other support	85,572,248	(548,241)	85,024,007	3	85,572,251	(548,241)	85,024,010
Expenses:							
Program services:							
Direct work with children	42,601,712	-	42,601,712	-	42,601,712	-	42,601,712
Program and professional innovation	22,820,283	-	22,820,283	-	22,820,283	-	22,820,283
Policy and systems innovation	8,269,383	-	8,269,383	-	8,269,383	-	8,269,383
Infrastructure and support	5,721,219	-	5,721,219	-	5,721,219	-	5,721,219
Total direct program services	79,412,597	-	79,412,597	-	79,412,597	-	79,412,597
Bounce DC	-	-	-	160,406	160,406	-	160,406
Total program services	79,412,597	-	79,412,597	160,406	79,573,003	-	79,573,003
Supporting services:							
General and administrative activities	7,884,137	-	7,884,137	-	7,884,137	-	7,884,137
Fund-raising	2,747,747	-	2,747,747	-	2,747,747	-	2,747,747
Total supporting services	10,631,884	-	10,631,884	-	10,631,884	-	10,631,884
Total expenses	90,044,481	-	90,044,481	160,406	90,204,887	-	90,204,887
Change in net assets before other changes	(4,472,233)	(548,241)	(5,020,474)	(160,403)	(4,632,636)	(548,241)	(5,180,877)
Other changes in net assets:							
Forgiveness of Paycheck Protection Program loan payable	3,649,702	-	3,649,702	-	3,649,702	-	3,649,702
Change in net assets	(822,531)	(548,241)	(1,370,772)	(160,403)	(982,934)	(548,241)	(1,531,175)
Net assets at beginning of year	14,064,371	48,648,409	62,712,780	160,403	14,224,774	48,648,409	62,873,183
Net assets at end of year	$ 13,241,840	$ 48,100,168	$ 61,342,008	$ -	$ 13,241,840	$ 48,100,168	$ 61,342,008

[1] Start Early includes the financial information of FFYF

Start Early

Consolidating Statement of Activities
Year Ended June 30, 2021

	Start Early[1]			Bounce DC	Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	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	$ 11,117,143	$ -	$ 11,117,143	$ -	$ 11,117,143	$ -	$ 11,117,143
Bureau of Child Care and Development	72,375	-	72,375	-	72,375	-	72,375
Illinois State Board of Education	4,307,823	-	4,307,823	-	4,307,823	-	4,307,823
State of Illinois Department of Children and Family Services	4,692	-	4,692	-	4,692	-	4,692
U.S. Department of Health and Human Services	20,691,003	-	20,691,003	-	20,691,003	-	20,691,003
U.S. Department of Agriculture	31,813	-	31,813	-	31,813	-	31,813
City of Chicago-DFSS	2,458,478	-	2,458,478	-	2,458,478	-	2,458,478
Washington State Department of Children, Youth and Families	1,140,085	-	1,140,085	-	1,140,085	-	1,140,085
Other grants	843,100	-	843,100	-	843,100	-	843,100
Contributions	5,720,233	20,247,181	25,967,414	-	5,720,233	20,247,181	25,967,414
Investment return, net	1,922,788	4,424,292	6,347,080	37	1,922,825	4,424,292	6,347,117
Other revenue	2,453,258	-	2,453,258	-	2,453,258	-	2,453,258
Donated service/in-kind	839,190	-	839,190	-	839,190	-	839,190
Net assets released from restrictions	22,717,762	(22,717,762)	-	-	22,717,762	(22,717,762)	-
Total revenue and other support	74,319,743	1,953,711	76,273,454	37	74,319,780	1,953,711	76,273,491
Expenses:							
Program services:							
Direct work with children	30,063,928	-	30,063,928	-	30,063,928	-	30,063,928
Program and professional innovation	21,992,534	-	21,992,534	-	21,992,534	-	21,992,534
Policy and systems innovation	7,928,821	-	7,928,821	-	7,928,821	-	7,928,821
Infrastructure and support	5,870,155	-	5,870,155	-	5,870,155	-	5,870,155
Total program services	65,855,438	-	65,855,438	-	65,855,438	-	65,855,438
Supporting services:							
General and administrative activities	6,878,795	-	6,878,795	-	6,878,795	-	6,878,795
Fund-raising	2,442,397	-	2,442,397	-	2,442,397	-	2,442,397
Total supporting services	9,321,192	-	9,321,192	-	9,321,192	-	9,321,192
Total expenses	75,176,630	-	75,176,630	-	75,176,630	-	75,176,630
Change in net assets before other changes	(856,887)	1,953,711	1,096,824	37	(856,850)	1,953,711	1,096,861
Other changes in net assets:							
Contribution of net assets received from acquisition	114,148	-	114,148	-	114,148	-	114,148
Change in net assets	(742,739)	1,953,711	1,210,972	37	(742,702)	1,953,711	1,211,009
Net assets at beginning of year	14,807,110	46,694,698	61,501,808	160,366	14,967,476	46,694,698	61,662,174
Net assets at end of year	$ 14,064,371	$ 48,648,409	$ 62,712,780	$ 160,403	$ 14,224,774	$ 48,648,409	$ 62,873,183

[1] Start Early includes the financial information of FFYF

Single Audit Reports

Start Early

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listings Number	Pass-through Grantor's Number	Federal Expenditures	Provided to Subrecipients
U.S. Department of Agriculture				
Illinois State Board of Education				
Child and Adult Care Food Program	10.558	4226-00	$ 78,540	$ -
Child and Adult Care Food Program	10.558	4226-CH	19,860	-
Total U.S. Department of Agriculture			98,400	-
U.S. Department of Health and Human Services				
Illinois Department of Human Services				
Maternal and Child Health Federal Consolidated Programs	93.110	FCSAV06237	58,209	
Illinois State Board of Education				
Every Student Succeeds Act/ Preschool Development Grants	93.434	2021-4998-PD	108,534	-
CCDF Cluster				
Texas Workforce Commission				
Child Care and Development Block Grant	93.575	2920CCQ007	317,175	-
Illinois Department of Human Services				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FCSWI00651	230,379	-
Total CCDF Cluster			547,554	-
Head Start Cluster				
Direct:				
Head Start/Early Head Start	93.600		28,856,107	16,110,642
Early Head Start	93.600		1,007,056	751,584
COVID-19 Head Start	93.600		502,631	320,843
COVID-19 Head Start - CARES Act	93.600		205,643	48,923
COVID-19 Head Start - American Rescue Plan	93.600		243,065	215,015
Head Start - National Center for Parent, Family, and Community Engagement	93.600		6,499,210	1,515,163
Total Head Start Cluster			37,313,712	18,962,170
Illinois Council on Developmental Disabilities				
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1138	18,710	-
Illinois Department of Human Services				
Social Services Block Grant				
Parents-Too-Soon - Program	93.667	FCSAS06222	1,351,638	1,117,993
Parents-Too-Soon - Family Health Technical Assistance	93.667	FCSAS06149	298,608	-
			1,650,246	1,117,993
Illinois Department of Human Services				
Maternal, Infant and Early Childhood Home Visiting Grant Program (MIECHV)				
COVID-19 MIECHV - American Rescue Plan	93.870	FCSAV06197	159,408	-
MIECHV - Homelessness Pilot	93.870	FCSAV04128	93,441	-
MIECHV - Training	93.870	FCSAV04116	364,984	-
MIECHV - Universal Newborn	93.870	FCSAV04132	600,000	534,438
MIECHV - Family Recruitment	93.870	FCSAV04120	216,234	-
			1,434,067	534,438
State of Washington, Department of Children, Youth, and Families				
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	19X10MC33616 / 6 X10MC39722-01-0	697,194	-
Maternal, Infant and Early Childhood Home Visiting Grant Program (MIECHV)	93.870	21X11MC41900C6	45,207	-
			742,401	-
Total MIECHV			2,176,468	534,438
Total U.S. Department of Health and Human Services			41,873,433	20,614,601
Total expenditures of federal awards			$ 41,971,833	$ 20,614,601

See notes to schedule of expenditures of federal awards.

Start Early

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Start Early under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Start Early, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Start Early.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

There were no federal awards expended for non-cash assistance, insurance or any loans or loan guarantees outstanding at year-end.

Note 3. Indirect Cost Rate

Start Early has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Start Early

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Start Early and its subsidiaries (Start Early), which comprise Start Early's consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements), and have issued our report thereon dated February 24, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Start Early's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Start Early's internal control. Accordingly, we do not express an opinion on the effectiveness of Start Early's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether Start Early's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
February 24, 2023

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Directors
Start Early

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Start Early's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Start Early's major federal programs for the year ended June 30, 2022. Start Early's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Start Early complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Start Early and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Start Early's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Start Early's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Start Early's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Start Early's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Start Early's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Start Early's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Start Early's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Start Early as of and for the year ended June 30, 2022, and have issued our report thereon dated February 24, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Chicago, Illinois
February 24, 2023

Start Early

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

Assistance Listings Number	Name of Federal Program or Cluster
93.600	Head Start Cluster
93.667	Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	X Yes	____ No

Section II. FINANCIAL STATEMENT FINDINGS

None reported.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

Summary Schedule of Prior Audit Findings
For the Fisal Year Ended June 30, 2022

I. FINANCIAL STATEMENT FINDINGS

None reported.

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2021-001: Federal Funding Accountability and Transparency Act Reporting

Corrective Action Plan: Start Early will review each award for applicability of FFATA reporting and implement a reporting process and procedural chances to ensure that all federal grants are properly reported in the FFATA Subaward Reporting System (FSRS). Priority will be given to reporting all current year awards to be completed by March 31, 2022. Start Early will also complete reports for all previous federal awards by June 30, 2022. The Director of Grants and Financial Compliance will monitor FFATA reporting to ensure the timely and accurate submission of FFATA reporting.

Current Status: Corrective action was taken as described above and completed by June 30, 2022.