Start Early

Consolidated Financial Report
June 30, 2023

Contents

RSM US LLP

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, 2023 and 2022, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Start Early as of June 30, 2023 and 2022, 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). 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.

Emphasis of Matter
As described in Note 2 to the financial statements, Start Early adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

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.

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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 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, 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.

RSM US LLP

Chicago, Illinois
February 29, 2024

Start Early

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 31,833,304	$ 12,395,310
Accounts receivable—governmental agencies and other, net	13,962,485	13,907,219
Pledges receivable, current, net	7,759,540	9,651,721
Deposits, prepaid expenses and other assets	2,747,457	1,354,416
Total current assets	56,302,786	37,308,666
Investments:		
Undesignated	4,407,532	4,302,875
Donor and board designated	23,245,334	22,458,264
Total investments	27,652,866	26,761,139
Pledges receivable, net of current portion	1,464,963	5,128,035
Operating leases right-of-use-assets	11,416,081	-
Finance leases, right of-use-assets, net	345,839	-
Property, plant and equipment, net	9,505,068	9,309,017
Total assets	$ 106,687,603	$ 78,506,857
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 15,751,274	$ 12,721,585
Deferred revenue	719,546	561,402
Current maturities of opearing lease liabilities	1,449,893	-
Current maturities of finance lease liabilities	80,633	-
Current portion of capital lease liability	-	81,774
Total current liabilities	18,001,346	13,364,761
Capital lease liability, net of current portion	-	4,532
Deferred rent	-	3,570,474
Operating lease liabilities, non-current	13,576,901	-
Finance lease liabilities, non-current	304,723	-
Other liabilities	253,625	225,082
Total liabilities	32,136,595	17,164,849
Net assets:		
Without donor restrictions:		
Undesignated	18,488,534	8,319,280
Board designated	5,095,025	4,922,560
	23,583,559	13,241,840
With donor restrictions	50,967,449	48,100,168
Total net assets	74,551,008	61,342,008
Total liabilities and net assets	$ 106,687,603	$ 78,506,857

See notes to consolidated financial statements.

Start Early

Consolidated Statement of Activities
Year Ended June 30, 2023

	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	$ 12,773,915	$ -	$ 12,773,915
Bureau of Child Care and Development	601,905	-	601,905
Illinois State Board of Education	4,005,959	-	4,005,959
State of Illinois Department of Children and Family Services	9,659	-	9,659
U.S. Department of Health and Human Services	48,538,922	-	48,538,922
U.S. Department of Agriculture	120,130	-	120,130
City of Chicago-DFSS	1,259,646	-	1,259,646
Washington State Department of Children, Youth & Families	1,501,806	-	1,501,806
Other grants	979,833	-	979,833
Contributions	20,583,288	24,730,885	45,314,173
Investment return, net	1,510,712	1,368,150	2,878,862
Other revenue	3,429,231	-	3,429,231
Contributed nonfinancial assets	740,888	-	740,888
Net assets released from restrictions	23,231,754	(23,231,754)	-
Total revenue and other support	119,287,648	2,867,281	122,154,929
Expenses:			
Program services:			
Direct work with children	53,959,146	-	53,959,146
Program and professional innovation	25,791,011	-	25,791,011
Policy and systems innovation	9,490,261	-	9,490,261
Infrastructure and support	6,690,597	-	6,690,597
Total direct program services	95,931,015	-	95,931,015
Supporting services:			
General and administrative activities	9,853,341	-	9,853,341
Fund-raising	3,161,573	-	3,161,573
Total supporting services	13,014,914	-	13,014,914
Total expenses	108,945,929	-	108,945,929
Change in net assets	10,341,719	2,867,281	13,209,000
Net assets at beginning of year	13,241,840	48,100,168	61,342,008
Net assets at end of year	$ 23,583,559	$ 50,967,449	$ 74,551,008

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
Contributed nonfinancial assets	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 Functional Expenses
Year Ended June 30, 2023

	Direct Program Services							
	Direct Work With Children	Program and Professional Innovation	Policy and Systems Innovation	Infrastructure and Support	Total Direct Program Services	General and Administrative Activities	Fund-raising	Total
Personnel	$ 15,398,229	$ 16,626,892	$ 6,050,528	$ 3,984,140	$ 42,059,789	$ 6,598,601	$ 2,608,961	$ 51,267,351
Professional services	2,181,759	3,384,876	2,253,372	718,477	8,538,484	1,125,224	126,737	9,790,445
Subcontracted program services	31,815,300	2,950,443	145,000	-	34,910,743	-	-	34,910,743
Travel	193,058	907,458	187,658	45,185	1,333,359	42,518	38,340	1,414,217
Conference and meetings	461,455	568,044	69,978	361,908	1,461,385	47,203	103,170	1,611,758
Occupancy	526,397	55,529	51,491	409	633,826	72,982	6,997	713,805
Lease cost	684,890	382,815	307,003	55,057	1,429,765	286,385	74,190	1,790,340
Supplies	468,824	78,157	27,055	13,086	587,122	27,913	711	615,746
Membership dues	126,249	43,959	173,537	40,571	384,316	190,209	9,180	583,705
Depreciation	545,780	-	11,608	599,300	1,156,688	-	-	1,156,688
Casualty and liability insurance	-	-	-	-	-	154,742	-	154,742
Equipment and computer software	528,581	442,282	41,555	201,577	1,213,995	1,035,715	153,083	2,402,793
Postage, printing and copying	82,974	121,790	6,875	7,124	218,763	117,685	8,309	344,757
Direct program services	254,089	74,885	10,804	941	340,719	-	-	340,719
Management consulting fees	55,341	87,565	82,648	81,982	307,536	103,715	-	411,251
Miscellaneous	636,220	66,316	71,149	580,840	1,354,525	50,449	31,895	1,436,869
Total expenses	**$ 53,959,146**	**$ 25,791,011**	**$ 9,490,261**	**$ 6,690,597**	**$ 95,931,015**	**$ 9,853,341**	**$ 3,161,573**	**$ 108,945,929**

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 Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 13,209,000**	$ (1,531,175)
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities:		
Depreciation	**1,156,688**	1,219,383
Amortization of financing right-to-use assets	**84,555**	-
Reduction in carrying amount of operating right-to-use assets	**1,199,267**	-
Net realized and unrealized (gains) losses on investments	**(1,175,119)**	3,283,368
Loss on sale of property, plant and equipment	**32,065**	-
Paycheck Protection Program loan forgiveness	**-**	(3,649,702)
Changes in:		
Accounts and pledges receivable	**5,718,381**	(3,266,909)
Deposits, prepaid expenses and other assets	**(1,393,041)**	(396,757)
Accounts payable and accrued expenses	**2,995,733**	2,427,396
Operating lease liabilities	**(1,357,242)**	-
Other liabilities and deferred revenue	**186,687**	(1,220,783)
Net cash provided by (used in) operating activities	**20,656,974**	(3,135,179)
Cash flows from investing activities:		
Purchases of property and equipment	**(1,402,024)**	(54,766)
Proceeds from sales of investments	**2,149,859**	3,876,592
Purchases of investments	**(1,866,467)**	(2,889,191)
Net cash (used in) provided by investing activities	**(1,118,632)**	932,635
Cash flows from financing activities:		
Payments made on capital lease obligations	**-**	(112,655)
Payments made on finance lease obligations	**(100,348)**	-
Repayment of Paycheck Protection Program loan excess amount	**-**	(1,837,829)
Net cash used in financing activities	**(100,348)**	(1,950,484)
Net increase (decrease) in cash and cash equivalents	**19,437,994**	(4,153,028)
Cash and cash equivalents at beginning of year	**12,395,310**	16,548,338
Cash and cash equivalents at end of year	**$ 31,833,304**	$ 12,395,310
Supplemental cash flow information:		
Fixed asset additions included in accounts payable	**$ 33,956**	$ -
Cash paid for interest	**$ 6,895**	$ 4,998

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, 2023 and 2022. 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 $169,686 and $190,000 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, approximately 16% of accounts receivable were due from one state agency, and 31% from one federal agency. As of June 30, 2022, approximately 11% of accounts receivable were due from one state agency, and 26% from one federal agency.

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, 2023 or 2022. 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; donated investments are liquidated immediately. Investments are classified as either current or long-term based on intended use. Included in investment income are $675,520 and $3,216,247 in distributions from the cost method limited partnership for the years ended June 30, 2023 and 2022, 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.

Leases: Start Early accounts for leases according to ASC Topic 842 as of July 1, 2022; prior to that time, leases were accounted for under ASC Topic 840. Start Early determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) Start Early obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Start Early also considers whether its service arrangements include the right to control the use of an asset.

Start Early made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Note 2. Summary of Significant Accounting Policies (Continued)

To determine the present value of lease payments, Start Early made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Start Early has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to Start Early, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

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 $25,000,000, 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. Start Early has received a conditional commitment, in the form of a challenge grant of which approximately $188,000 has not been recognized, because Start Early has not yet met the related barriers.

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.

Contributed nonfinancial assets: Contributed services represent services requiring specialized skills that Start Early would typically purchase. Contributed nonfinancial assets consist mainly of free rent. Unless otherwise specified, contributed nonfinancial assets generally do not have any donor-imposed restrictions. Contributed nonfinancial assets 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Contributed services in Start Early programs include discounted consulting and legal fees, and donated salary from one staff member and are not restricted by the donor. 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.

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.

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, 2023 and 2022, 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 has received a favorable determination letter from the Internal Revenue Service stating that it is 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 files Form 990 in the U.S. federal jurisdiction and the state of Illinois.

Note 2. Summary of Significant Accounting Policies (Continued)

Adopted accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. Start Early adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, Start Early has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with Start Early's historical accounting treatment under ASC Topic 840, Leases.

Start Early elected the "package of practical expedients" under the transition guidance within Topic 842, in which Start Early does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. Start Early has not elected to adopt the "hindsight" practical expedient, and therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to Start Early's operating leases of approximately $8,531,000 and $12,065,000, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Subsequent events: Start Early evaluated its June 30, 2023, consolidated financial statements for subsequent events through February 29, 2024, 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:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 31,833,304	$ 12,395,310
Accounts receivable—governmental agencies and other, net	13,962,485	13,907,219
Pledges receivable	9,224,503	14,779,756
Donor and board-designated investments	23,245,334	22,458,264
Undesignated investments	4,407,532	4,302,875
Total financial assets	82,673,158	67,843,424
Less amounts not available to be used within one year:		
Donor restricted and board-designated net assets	56,062,474	53,022,728
Less anticipated endowment appropriation	(964,000)	(965,000)
Less pledges receivable without purpose restrictions due within one year	(2,326,852)	(2,394,070)
Undesignated investments—long-term	4,407,532	4,302,875
	57,179,154	53,966,533
Total financial assets available within one year	25,494,004	13,876,891
Liquidity resources:		
Bank line of credit	6,000,000	6,000,000
Total financial assets and liquidity resources available within one year	$ 31,494,004	$ 19,876,891

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 $5,095,025. 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 6%, 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:

	2023	2022
Corporations, foundations, individuals and trusts	$ 9,764,286	$ 15,376,721
Less unamortized discount	(489,783)	(556,965)
Less allowance for uncollectible pledges	(50,000)	(40,000)
Net pledges receivable	$ 9,224,503	$ 14,779,756
Amount due in:		
Less than one year	$ 7,809,540	$ 9,691,721
One to five years	1,954,746	5,685,000
Total	$ 9,764,286	$ 15,376,721

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, 2023 and 2022, is summarized as follows:

	2023			2022		
	Undesignated	Donor and Board Designated	Total	Undesignated	Donor and Board Designated	Total
Publicly traded:						
Money market funds	$ -	$ 39,651	$ 39,651	$ -	$ 788,617	$ 788,617
Equity securities	-	-	-	-	-	-
Mutual funds	2,394,897	17,895,726	20,290,623	2,318,783	16,173,149	18,491,932
Supplemental employees' retirement plan (mutual funds)	253,625	-	253,625	225,082	-	225,082
Total publicly traded	2,648,522	17,935,377	20,583,899	2,543,865	16,961,766	19,505,631
Other investments:						
Limited partnerships	1,759,010	5,309,957	7,068,967	1,759,010	5,496,498	7,255,508
Total	$ 4,407,532	$ 23,245,334	$ 27,652,866	$ 4,302,875	$ 22,458,264	$ 26,761,139

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, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 39,651	$ -	$ -	$ 39,651
Mutual funds	20,544,248	-	-	20,544,248
	$ 20,583,899	$ -	$ -	20,583,899
Limited partnerships measured at NAV				5,309,957
Limited partnerships measured at cost				1,759,010
				$ 27,652,866

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, 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

Investments measured at NAV using the practical expedient as of June 30, 2023, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Weatherlow (a)	$ 5,309,957	$ -	See below	See below
Balance as of June 30, 2023	$ 5,309,957	$ -		

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	$ -		

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:

	2023	2022
Furniture and equipment	$ 3,352,691	$ 2,905,344
Building and leasehold improvements	16,483,756	15,495,123
Equipment financed through capital leases	-	378,131
Total property, plant and equipment	19,836,447	18,778,598
Less accumulated depreciation	(10,331,379)	(9,469,581)
Property, plant and equipment, net	$ 9,505,068	$ 9,309,017

Depreciation expense was $1,156,688 and $1,219,383 for the years ended June 30, 2023 and 2022, respectively.

Note 8. Net Assets with Donor Restrictions

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

	2023	2022
Subject to the passage of time:		
Pledges receivable without purpose restrictions	$ 3,874,873	$ 5,433,135
Subject to purpose restrictions:		
Direct work with children	583,961	575,273
Program and professional innovation	11,218,897	5,918,724
Policy and system innovation	12,308,326	13,837,878
Infrastructure and support	4,831,083	4,799,454
Endowment returns subject to future appropriations	3,497,560	2,882,955
Amounts with perpetual restrictions	14,652,749	14,652,749
Total net assets with donor restrictions	$ 50,967,449	$ 48,100,168

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, 2023 and 2022, as follows:

	2023	2022
Direct work with children	$ 423,460	$ 290,418
Program and professional innovation	11,393,996	8,817,389
Policy and systems innovation	8,937,611	3,350,126
Infrastructure and support	66,306	104,781
Passage of time	1,656,836	2,231,515
Endowment appropriations	753,545	712,159
Total	$ 23,231,754	$ 15,506,388

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:

- The duration and preservation of the fund.
- The purposes of Start Early and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of Start Early.
- 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, 2023 and 2022.

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, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 18,150,309	$ 18,150,309
Board-designated for long-term investment funds	5,095,025	-	5,095,025
Total	$ 5,095,025	$ 18,150,309	$ 23,245,334

Note 9. Endowment Net Assets (Continued)

The changes in endowment net assets for the fiscal year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,922,560	$ 17,535,704	$ 22,458,264
Investment earnings	383,920	1,368,150	1,752,070
Appropriations of endowment assets for expenditures of endowment funds	(211,455)	(753,545)	(965,000)
Endowment net assets, end of year	$ 5,095,025	$ 18,150,309	$ 23,245,334

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

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

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. Line of Credit

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, 2023 and 2022. 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 8, 2024. The interest rates for fiscal years 2023 and 2022 were 7.2% and 3.6%, respectively.

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 2023 and 3% in 2022. Start Early recorded contributions of $1,004,204 and $1,040,479 during the years ended June 30, 2023 and 2022, 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 2023 or 2022.

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, 2023 and 2022.

Note 14. Related Parties

Donations to Start Early from board members and staff were $2,889,627 and $3,152,080 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, $267,560 and $410,558 were included in pledges receivable.

Note 15. Contributed Nonfinancial Assets

Start Early's recognized contributed nonfinancial assets totaling $740,888 and $740,990 in 2023 and 2022, respectively, included services, salaries and benefits and rent.

Contributed services of $86,048 in 2023 and $78,504 in 2022 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 valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar legal and consulting services. 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 totaled $579,840 and $587,486 in 2023 and 2022, respectively. The contributed salary and benefits were valued based on salaries in comparable nonprofit organizations and 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 2023 and 2022 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 16. Leases

Start Early leases real estate under operating lease agreements that have initial terms ranging from three to 15 years. Some leases include one or more options to renew, generally at Start Early's sole discretion, with renewal terms that can extend the lease term up to 10 years. In addition, certain leases contain termination options, where the rights to terminate are held by either Start Early, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that Start Early will exercise that option. Start Early's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Start Early also leases equipment under finance lease agreements with terms ranging from 3 to 5 years and interest rates ranging from 3.48% to 3.75%. Start Early's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

Note 16. Leases (Continued)

The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	$ 1,606,555
Finance lease cost—amortization of right-of-use assets	84,555
Finance lease cost—interest on lease liabilities	6,895
Short-term lease cost	82,463
Variable lease cost	9,872
Total lease cost	$ 1,790,340

Total rent expense for operating leases was $1,591,979 for the year ended June 30, 2022.

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2023:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows—payments on operating leases	$ 1,782,785
Operating cash outflows—payments on finance leases	20,580
Financing cash outflows—payments on finance leases	3,571
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	$ 4,083,695
Finance leases	379,219

Supplemental information related to leases as presented on the statement of financial position as of June 30, 2023, is as follows:

Finance leases:	
Equipment	$ 379,219
Accumulated depreciation	(33,380)
Finance lease, right-of-use assets, net	$ 345,839
Weighted-average remaining lease term:	
Operating leases	8.67 years
Finance leases	4.54 years
Weighted-average discount rate:	
Operating leases	3.32%
Finance leases	3.49%

Note 16. Leases (Continued)

The assets recorded under capital lease agreements included in property, plant and equipment in the accompanying balance sheet are as follows as of June 30, 2022:

Equipment	$ 378,131
Accumulated amortization	(294,890)
	$ 83,241

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2023:

	Operating Leases	Finance Leases
Years ending June 30:		
2024	$ 1,854,897	$ 92,565
2025	2,066,951	92,565
2026	2,100,402	89,935
2027	2,134,136	89,058
2028	2,168,187	51,951
Thereafter	7,202,733	-
Total lease payments	17,527,306	416,074
Less imputed interest	(2,500,512)	(30,718)
Total present value of lease liabilities	$ 15,026,794	$ 385,356

Future minimum lease commitments, as determined under Topic 840, for all noncancelable leases are as follows as of June 30, 2022:

	Operating Leases	Capital Leases
Years ending June 30:		
2023	$ 1,758,911	$ 83,617
2024	1,785,073	4,532
2025	1,640,496	-
2026	1,612,322	-
2027	1,633,867	-
Thereafter	5,314,555	-
Total minimum lease payments	$ 13,745,224	88,149
Less amount representing interest		(1,843)
Total obligations under capital leases		86,306
Obligations due within one year		(81,774)
Capital lease obligations, net of current maturities		$ 4,532