

START EARLY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Start Early
Chicago, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Start Early, which comprise the consolidated statement of financial position as of June 30, 2025, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Start Early as of June 30, 2025, and the change in net assets and its cash flows for the year 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026, 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 result of that testing, and not to provide an opinion on the effectiveness of the 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.

Board of Directors
Start Early

Other Matter

The June 30, 2024 consolidated financial statements of Start Early were audited by other auditors whose report dated March 5, 2025, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
March 3, 2026

**START EARLY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024**

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 30,282,375	\$ 20,436,350
Accounts Receivable - Governmental Agencies and Other, Net	9,218,096	14,813,705
Pledges Receivable, Current, Net	16,267,847	22,226,151
Deposits, Prepaid Expenses, and Other Assets	1,776,614	3,025,244
Total Current Assets	57,544,932	60,501,450
INVESTMENTS		
Undesignated	4,697,133	4,552,142
Donor- and Board-Designated	26,935,436	25,063,604
Total Investments	31,632,569	29,615,746
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	9,681,529	16,276,194
CASH RESTRICTED FOR INVESTMENT IN PROPERTY AND EQUIPMENT	10,787,856	2,815,750
RIGHT-OF-USE ASSETS - OPERATING LEASES	4,373,772	10,772,048
RIGHT-OF-USE ASSETS - FINANCING LEASES	223,117	292,021
PROPERTY, PLANT, AND EQUIPMENT, NET	10,197,277	9,165,206
Total Assets	\$ 124,441,052	\$ 129,438,415

See accompanying Notes to Consolidated Financial Statements.

START EARLY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2025 AND 2024

	2025	2024
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 17,878,510	\$ 15,622,271
Deferred Revenue and Refundable Advances	913,580	1,027,233
Current Maturities of Operating Lease Liabilities	2,548,906	1,916,835
Current Maturities of Finance Lease Liabilities	91,598	88,403
Total Current Liabilities	21,432,594	18,654,742
Operating Lease Liabilities, Noncurrent	3,759,842	12,301,987
Finance Lease Liabilities, Noncurrent	161,742	240,159
Other Liabilities	312,470	276,736
Total Liabilities	25,666,648	31,473,624
NET ASSETS		
Without Donor Restrictions:		
Undesignated	15,876,288	14,901,627
Board-Designated	5,903,615	5,493,452
Total Without Donor Restrictions	21,779,903	20,395,079
With Donor Restrictions	76,994,501	77,569,712
Total Net Assets	98,774,404	97,964,791
Total Liabilities and Net Assets	\$ 124,441,052	\$ 129,438,415

See accompanying Notes to Consolidated Financial Statements.

**START EARLY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

	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	\$ 16,707,153	\$ -	\$ 16,707,153
Bureau of Child Care and Development	691,222	-	691,222
Illinois State Board of Education	6,205,263	-	6,205,263
State of Illinois Department of Children and Family Services	18,264	-	18,264
U.S. Department of Health and Human Services	47,945,155	-	47,945,155
U.S. Department of Agriculture	190,889	-	190,889
City of Chicago DFSS	1,411,310	-	1,411,310
Washington State Department of Children, Youth and Families	1,392,024	-	1,392,024
Other Grants	282,864	-	282,864
Contributions	8,689,719	24,318,360	33,008,079
Investment Return, Net	3,477,388	2,224,584	5,701,972
Special Event Revenue	976,156	-	976,156
Other Revenue	2,836,520	-	2,836,520
Contributed Nonfinancial Assets	4,352,822	-	4,352,822
Net Assets Release from Restrictions	27,118,155	(27,118,155)	-
Total Revenue and Other Support	122,294,904	(575,211)	121,719,693
EXPENSES			
Program Services:			
Direct Work with Children	56,148,755	-	56,148,755
Program and Professional Innovation	31,562,873	-	31,562,873
Policy and Systems Innovation	8,194,544	-	8,194,544
Infrastructure and Support	9,928,745	-	9,928,745
Total Program Services	105,834,917	-	105,834,917
Supporting Services:			
General and Administrative Activities	11,340,313	-	11,340,313
Fundraising	3,734,850	-	3,734,850
Total Supporting Services	15,075,163	-	15,075,163
Total Expenses	120,910,080	-	120,910,080
CHANGE IN NET ASSETS	1,384,824	(575,211)	809,613
Net Assets - Beginning of Year	20,395,079	77,569,712	97,964,791
NET ASSETS - END OF YEAR	\$ 21,779,903	\$ 76,994,501	\$ 98,774,404

See accompanying Notes to Consolidated Financial Statements.

**START EARLY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

	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	\$ 15,346,442	\$ -	\$ 15,346,442
Bureau of Child Care and Development	710,134	-	710,134
Illinois State Board of Education	5,131,681	-	5,131,681
State of Illinois Department of Children and Family Services	19,633	-	19,633
U.S. Department of Health and Human Services	46,370,711	-	46,370,711
U.S. Department of Agriculture	161,802	-	161,802
City of Chicago DFSS	1,322,677	-	1,322,677
Washington State Department of Children, Youth and Families	1,419,145	-	1,419,145
Other Grants	500,309	-	500,309
Contributions	3,270,017	53,940,573	57,210,590
Investment Return, Net	3,178,902	2,172,607	5,351,509
Special Event Revenue	1,090,549	-	1,090,549
Other Revenue	2,752,534	-	2,752,534
Contributed Nonfinancial Assets	1,974,174	-	1,974,174
Net Assets Release from Restrictions	29,510,917	(29,510,917)	-
Total Revenue and Other Support	112,759,627	26,602,263	139,361,890
EXPENSES			
Program Services:			
Direct Work with Children	55,977,204	-	55,977,204
Program and Professional Innovation	29,684,717	-	29,684,717
Policy and Systems Innovation	8,869,096	-	8,869,096
Infrastructure and Support	6,773,027	-	6,773,027
Total Program Services	101,304,044	-	101,304,044
Supporting Services:			
General and Administrative Activities	10,927,575	-	10,927,575
Fundraising	3,716,488	-	3,716,488
Total Supporting Services	14,644,063	-	14,644,063
Total Expenses	115,948,107	-	115,948,107
CHANGE IN NET ASSETS	(3,188,480)	26,602,263	23,413,783
Net Assets - Beginning of Year	23,583,559	50,967,449	74,551,008
NET ASSETS - END OF YEAR	\$ 20,395,079	\$ 77,569,712	\$ 97,964,791

See accompanying Notes to Consolidated Financial Statements.

**START EARLY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025**

	Direct Program Services				Total Direct Program Services	General and Administrative Activities	Fundraising	Total
	Direct Work With Children	Program and Professional Innovation	Policy and Systems Innovation	Infrastructure and Support				
Personnel	\$ 16,282,798	\$ 22,578,703	\$ 5,356,785	\$ 4,078,993	\$ 48,297,279	\$ 8,149,991	\$ 3,064,425	\$ 59,511,695
Professional Services	1,634,713	2,523,419	1,726,151	4,691,501	10,575,784	797,637	321,562	11,694,983
Subcontracted Program Services	34,013,602	2,725,298	25,000	-	36,763,900	-	-	36,763,900
Travel	190,000	764,110	138,512	50,928	1,143,550	28,201	46,952	1,218,703
Conference and Meetings	652,574	877,863	89,497	90,430	1,710,364	34,525	82,772	1,827,661
Occupancy	328,388	145,190	40,336	6,480	520,394	57,680	7,342	585,416
Lease Cost	800,271	814,174	375,396	105,817	2,095,658	377,396	90,057	2,563,111
Supplies	520,670	149,174	25,177	47,207	742,228	348	55,237	797,813
Membership Dues	98,816	50,447	195,300	37,264	381,827	106,921	9,442	498,190
Depreciation	714,026	50,139	23,216	384,008	1,171,389	-	-	1,171,389
Casualty and Liability Insurance	-	-	-	-	-	154,363	-	154,363
Equipment and Computer Software	82,593	573,873	37,679	94,530	788,675	1,569,082	46,548	2,404,305
Postage, Printing, and Copying	20,118	88,669	21,399	6,160	136,346	-	9,325	145,671
Direct Program Services	339,683	99,424	29,058	-	468,165	-	703	468,868
Management Consulting Fees	79,846	27,298	-	82,133	189,277	-	-	189,277
Miscellaneous	390,657	95,092	111,038	253,294	850,081	64,169	485	914,735
Total Expenses	\$ 56,148,755	\$ 31,562,873	\$ 8,194,544	\$ 9,928,745	\$ 105,834,917	\$ 11,340,313	\$ 3,734,850	\$ 120,910,080

See accompanying Notes to Consolidated Financial Statements.

**START EARLY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	Direct Program Services				Total Direct Program Services	General and Administrative Activities	Fundraising	Total
	Direct Work With Children	Program and Professional Innovation	Policy and Systems Innovation	Infrastructure and Support				
Personnel	\$ 16,882,260	\$ 19,978,086	\$ 5,476,390	\$ 4,239,219	\$ 46,575,955	\$ 7,255,087	\$ 2,824,852	\$ 56,655,894
Professional Services	1,807,940	3,185,680	2,264,765	367,432	7,625,817	1,246,447	437,325	9,309,589
Subcontracted Program Services	32,929,000	3,020,729	68,324	-	36,018,053	-	-	36,018,053
Travel	184,088	856,263	138,748	35,509	1,214,608	72,747	68,236	1,355,591
Conference and Meetings	535,825	862,556	127,980	49,760	1,576,121	99,612	115,213	1,790,946
Occupancy	343,562	64,335	58,482	5,289	471,668	95,884	8,742	576,294
Lease Cost	793,434	582,911	159,461	31,884	1,567,690	320,666	73,154	1,961,510
Supplies	550,208	265,568	43,062	1,919	860,757	37,374	42,628	940,759
Membership Dues	120,926	43,393	25,055	46,642	236,016	193,919	7,936	437,871
Depreciation	706,194	-	23,217	496,707	1,226,118	-	-	1,226,118
Casualty and Liability Insurance	-	-	-	-	-	197,641	-	197,641
Equipment and Computer Software	278,213	546,703	280,410	102,653	1,207,979	1,316,776	96,662	2,621,417
Postage, Printing, and Copying	13,032	83,967	11,548	258	108,805	2,772	9,844	121,421
Direct Program Services	299,214	83,300	21,226	507	404,247	-	-	404,247
Management Consulting Fees	73,350	10,938	6,667	67,697	158,652	39,153	-	197,805
Miscellaneous	459,958	100,288	163,761	1,327,551	2,051,558	49,497	31,896	2,132,951
Total Expenses	\$ 55,977,204	\$ 29,684,717	\$ 8,869,096	\$ 6,773,027	\$ 101,304,044	\$ 10,927,575	\$ 3,716,488	\$ 115,948,107

See accompanying Notes to Consolidated Financial Statements.

START EARLY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 809,613	\$ 23,413,783
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,171,389	1,226,118
Amortization of Financing Right-to-Use Asset	83,026	77,960
Noncash Lease Gain	(1,511,858)	(163,939)
Change in Present Value Discount and Allowance	(2,093,374)	(367,841)
Bad Debt Expense	35,539	147,700
Net Realized and Unrealized Gains on Investments	(3,037,842)	(2,333,798)
Capital and Endowment Contributions	1,103,500	(16,997,953)
Changes in:		
Accounts and Pledges Receivable	7,543,580	(15,726,718)
Deposits, Prepaid Expenses, and Other Assets	1,248,630	(277,787)
Accounts Payable and Accrued Expenses	2,256,239	(604,968)
Other Liabilities and Deferred Revenue	(77,919)	330,798
Net Cash Provided (Used) by Operating Activities	7,530,523	(11,276,645)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,203,460)	(410,291)
Proceeds from Sales of Investments	4,468,810	7,154,753
Purchases of Investments	(3,447,791)	(6,783,835)
Net Cash Used by Investing Activities	(1,182,441)	(39,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Capital and Endowment Contributions	11,559,333	2,815,750
Payments Made on Finance Lease Obligations	(89,284)	(80,936)
Net Cash Provided by Financing Activities	11,470,049	2,734,814
NET CHANGE IN CASH AND CASH EQUIVALENTS	17,818,131	(8,581,204)
Cash and Cash Equivalents - Beginning of Year	23,252,100	31,833,304
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 41,070,231	\$ 23,252,100
Cash and Cash Equivalents	\$ 30,282,375	\$ 20,436,350
Cash Restricted for Investment in Property and Equipment	10,787,856	2,815,750
Total	\$ 41,070,231	\$ 23,252,100
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Fixed Asset Additions Included in Accounts Payable	\$ 375,591	\$ 475,965
Cash Paid for Interest	\$ 10,137	\$ 12,116

See accompanying Notes to Consolidated Financial Statements.

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 GENERAL

Start Early (the Organization), which was 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. The Organization 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 the Organization 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.

The Organization 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

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The Organization's consolidated financial statements consolidate the accounts and activities of its affiliated entity, FFYF. All significant intercompany transactions have been eliminated in consolidation.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits during the years ended June 30, 2025 and 2024. The Organization did not experience any losses in such accounts during this period and believes it is not exposed to any significant credit risk. The Organization manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed to be creditworthy. The times, amounts on deposits may exceed insured limits. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each ownership category. As of June 30, 2025 and 2024, the Organization had approximately \$41,026,000 and \$20,490,000, respectively, in excess of FDIC insurance limits. To date, the Organization has not experienced any losses in any of these accounts.

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 the Organization 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 (NAV). Accordingly, the Organization 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, 2025 or 2024. 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 distributions from the limited partnership carried at the measurement alternative.

The Organization's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these factors, it is reasonably possible that changes in the value of investments will occur in the near term and materially affect the amounts reported in the consolidated financial statements.

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses

Pledges Receivable

Pledges receivable are unconditional promises to give made to the Organization and are recorded in the year the pledge is made. Amounts that are expected to be collected after one year are discounted and reflected in the consolidated financial statements at their net present value. An allowance for credit losses contributions receivable is determined based on separation into risk pools by identifying troubled accounts and by using historical risk characteristics that are meaningful to estimating credit losses and any new risk characteristics that arise in the natural course of business applied to an aging of accounts. Receivables are written off when deemed uncollectible. The allowance for credit losses – pledges receivable as of June 30, 2025 and 2024 was \$228,234 and \$140,000, respectively.

Government Grants and Contracts Receivable

Accounts receivable are primarily uncollateralized accounts due from federal, state, and local governmental agencies and on contracts. These receivables are stated at the amounts billed and do not accrue interest. The allowance for uncollectible accounts from governmental agencies was -\$0- and \$117,967 for the years ended June 30, 2025 and 2024, respectively. Accounts receivable generated from contracts with customers was \$565,698 and \$368,895 at June 30, 2025 and 2024, respectively; at July 1, 2023, the balance was \$812,857. Accounts receivable from customers are carried at original invoice amount, less an estimate made for credit losses, based on a review of all outstanding amounts on a monthly basis. There was no allowance for credit losses at June 30, 2025 and 2024. Management determines the allowance for credit losses by identifying troubled accounts and by using historical risk characteristics that are meaningful to estimating credit losses and any new risk characteristics that arise in the natural course of business applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Interest is not charged on past due accounts.

As of June 30, 2025, approximately 15% of receivables (including accounts receivable and pledges receivable) were due from one federal agency, and 49% from a private donor. As of June 30, 2024, approximately 17% of receivables were due from one federal agency, and 61% from a private donor,

Property and Equipment

Property and equipment are stated at cost if purchase or fair value at date of the gift, if donated. Acquisitions of property and equipment in excess of \$5,000 have a useful life longer than one year are capitalized. Maintenance, repairs, and immaterial acquisitions funded through grants are expensed when incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. The Organization records amounts incurred related to ongoing construction projects as construction in progress. When construction projects are completed, the amount incurred is transferred to the appropriate fixed asset category and depreciated.

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Property and Equipment are depreciated using the straight-line method over their estimated useful lives. Estimated useful lives used in the calculation of depreciation are:

Buildings and Building Improvements	15 to 40 Years
Furniture, Fixtures and Equipment	3 to 5 Years

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

The Organization determines if an arrangement is a lease at inception. The Organization's operating and finance leases are included in right-of-use (ROU) lease asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonable certain that the Organization will exercise that option. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The Organization has made an accounting policy election to account for lease and nonlease 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 the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets may be used at the discretion of the Organization’s management and board of directors. The governing board has designated certain net assets without donor restrictions for a board-designated endowment. See Note 10.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor restrictions are temporary in nature; such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions, unless specifically restricted by the donor or by applicable state law. For the years ended June 30, 2025 and 2024, The Organization 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.

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is, when the condition on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Conditional contributions, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. At June 30, 2025 and 2024, Approximately \$594,000 and \$50,000 of contributions, respectively, have not been recognized in the accompanying consolidated financial statements because of the conditions have not been met.

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Government Grants and Contracts

Revenues derived from cost-reimbursable grants, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract and grant provisions. Any amounts received in advance would be recorded as a refundable advance in the consolidated statements of financial position.

Conditional government grants and contracts, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. At June 30, 2025 and 2024, there were approx. \$30,300,000 and \$26,600,000, respectively, of government grants and contracts that have not been recognized in the accompany consolidated financial statements because the conditions have not been met.

Contributed Nonfinancial Assets

Contributed services represent services requiring specialized skills that the Organization The Organization reports various types of contributed goods and services as support, discounted consulting, legal fees, donated salary from one staff member, and goods. Donated goods are recognized at their estimated values on the date received.

The Organization reports gifts of goods as support without donor restriction unless explicit donor stipulations specific how the donated assets must be used. Gifts of long-loved assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-loved assets are reported as support with donor restrictions until the asset is placed in service.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically needs to be purchased if not provided by donation.

Special Event Revenue

Revenues derived from participant attendance at special events are recognized over time as the event is held. Payments to attend the event or for sponsorships that are received in advance are deferred. At June 30, 2025 and 2024 and July 1, 2024, the Organization had contract liabilities of \$-0-, pertaining to advance payments for special events. Included in the June 30, 2025 and 2024 special event revenue on the consolidated statements of activities is \$951,586 and \$31,010 of contributions and \$24,570 and \$1,059,539 of exchange revenue, respectively, for service performed at the event. There were no contract assets at June 30, 2025 and 2024 and July 1, 2024. Special event revenue totaling \$976,156 and \$1,090,534 at June 30, 2025 and 2024, respectively, are recognized over time when the event is held.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Other Revenue

Other revenue consists of training registration revenue, event revenue, and other earned income. The Organization recognizes revenue using the five-step model prescribed by ASC *Topic 606, Revenue from Contracts with Customers*. Revenue for training and other earned income are recognized over the period during which services are delivered. Revenue recognized over time totaled \$2,835,651 and \$2,752,534 for the years ended June 30, 2025 and 2024, respectively. Payments received prior to the satisfaction of performance obligations are recorded as deferred revenue. The balance of deferred revenue from contracts with customers was approximately \$91,000, \$171,000, and \$87,000 at June 30, 2025, 2024, and July 1, 2023, respectively. There is generally no variable consideration or significant financing components associated with these contracts.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been reported on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Costs are charged to program and support services on an actual basis. In addition, Management has determined that allocations for certain employees' salaries should be allocated between program and support services based on the time spent in each function. Indirect costs have been allocated between the various program and support services based on estimates determined by management. The expenses that are allocated include occupancy, IT, and other shared costs. These expenses are allocated based on usage or headcount.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Organization has determined it does not have any uncertain tax positions as of June 30, 2025 and 2024.

Advertising Expenses

Advertising costs are expensed as incurred. Total advertising expenses were \$698,755 and \$1,789,611 for the years ended June 30, 2025 and 2024, respectively.

Reclassifications

Certain amounts in the 2024 consolidated financial statements have been reclassified to conform to the 2025 presentation, with no impact to previously reported net assets or changes in net assets.

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Start Early has evaluated subsequent events through March 3, 2026, the date the financial statements were issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financials assets available for general use within one year of the June 30, 2025 and 2024 consolidated statements of financial position date, less amounts not readily available for expenditure:

	<u>2025</u>	<u>2024</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 41,070,231	\$ 20,436,350
Accounts Receivable - Governmental Agencies and Other, Net	9,218,096	14,813,705
Pledges Receivable	25,949,376	38,502,345
Donor- and Board-Designated Investments	26,935,436	25,063,604
Undesignated Investments	<u>4,697,133</u>	<u>4,552,142</u>
Total Financial Assets	107,870,272	103,368,146
Less: Amounts not Available to be Used Within One Year:		
Donor-Restricted and Board-Designated Net Assets	82,898,116	83,063,164
Less: Anticipated Endowment Appropriation	(965,000)	(977,000)
Less: Pledges Receivable Without Purpose Restrictions Due Within One Year	(384,572)	(883,375)
Undesignated Investments - Long Term	<u>4,697,133</u>	<u>4,552,142</u>
Total Amounts not Available	<u>86,245,677</u>	<u>85,754,931</u>
Total Financial Assets Available Within One Year	21,624,595	17,613,215
Liquidity Resources:		
Bank Line of Credit	<u>6,000,000</u>	<u>6,000,000</u>
Total Financial Assets and Liquidity Resources Available Within One Year	<u>\$ 27,624,595</u>	<u>\$ 23,613,215</u>

The Organization 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, the Organization 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

To help manage unanticipated liquidity needs, the Organization has committed lines of credit which it could draw upon. Additionally, the Organization has a board-designated endowment of \$5,903,616 and \$5,493,452, at June 30, 2025 and 2024, respectively. Although the Organization 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 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, is summarized as follows:

	2025			2024		
	Undesignated	Donor and Board Designated	Total	Undesignated	Donor and Board Designated	Total
Publicly Traded:						
Money Market Funds	\$ -	\$ 199,564	\$ 199,564	\$ -	\$ 208,468	\$ 208,468
Mutual Funds	2,625,654	23,769,848	26,395,502	2,516,396	18,901,380	21,417,776
Supplemental Employees' Retirement Plan (Mutual Funds)	312,469	-	312,469	276,736	-	276,736
Total Publicly Traded	<u>2,938,123</u>	<u>23,969,412</u>	<u>26,907,535</u>	<u>2,793,132</u>	<u>19,109,848</u>	<u>21,902,980</u>
Other Investments:						
Limited Partnerships	<u>1,759,010</u>	<u>2,966,024</u>	<u>4,725,034</u>	<u>1,759,010</u>	<u>5,953,756</u>	<u>7,712,766</u>
Total	<u>\$ 4,697,133</u>	<u>\$ 26,935,436</u>	<u>\$ 31,632,569</u>	<u>\$ 4,552,142</u>	<u>\$ 25,063,604</u>	<u>\$ 29,615,746</u>

Income derived from investments consistent of the following for the years ended June 30:

	2025	2024
Realized Gains, Net	\$ 218,334	\$ -
Unrealized Gains, Net	2,062,945	2,310,688
Interest and Dividends	741,674	653,101
ERP Multifamily Portfolio Distributions	884,142	989,510
PNC Money Market Interest	1,521,398	1,053,395
PNC Operating Reserve Interest	1,516	58,867
PNC Sweep Interest	336,827	345,969
Investment Fees	(64,864)	(60,021)
Total	<u>\$ 5,701,972</u>	<u>\$ 5,351,509</u>

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 FAIR VALUE DISCLOSURES

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the inputs used in the valuation methods, the Organization is required to provide certain information, which is set forth below, according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the inputs used to determine fair values. Assets and liabilities measured, reported, and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

Investment Valuation

The following is a description of the valuation methodologies used for investments measured at fair value. Investments, other than the limited partnership carried at the measurement alternative, are reported at fair value. The fair value of investments with a readily determinable market value, which includes the money market funds and mutual funds, 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 NAV as a practical expedient.

While the Organization believes its valuation methods are appropriate and consistent with those used by 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 FAIR VALUE DISCLOSURES (CONTINUED)

The tables below presents the balances measured at fair value on a recurring basis by level within the hierarchy at June 30:

	2025			Total
	Level 1	Level 2	Level 3	
Money Market Funds	\$ 199,564	\$ -	\$ -	\$ 199,564
Mutual Funds	26,707,971	-	-	26,707,971
Total	\$ 26,907,535	\$ -	\$ -	26,907,535
Limited Partnerships				
Measured at NAV*				2,966,024
Limited Partnerships - Measurement Alternative**				1,759,010
Total				\$ 31,632,569
	2024			Total
	Level 1	Level 2	Level 3	
Money Market Funds	\$ 208,468	\$ -	\$ -	\$ 208,468
Mutual Funds	21,694,512	-	-	21,694,512
Total	\$ 21,902,980	\$ -	\$ -	21,902,980
Limited Partnerships				
Measured at NAV*				5,953,756
Limited Partnerships - Measurement Alternative**				1,759,010
Total				\$ 29,615,746

* Certain investments that are measured at fair value using the NAV per share practical expedient have not been categorized in the fair value hierarchy. The amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

** Certain investments that are measured using the measurement alternative are not held at fair value and are not categorized in the fair value hierarchy, but are included in the tables above to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position. Amount represents Start Early's value of share in donated real estate partnership.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 FAIR VALUE DISCLOSURES (CONTINUED)

Investment Valuation

Level 1 Inputs

Investments in U.S. equity securities, U.S. mutual funds, and U.S. money market mutual funds are measured at fair value using quoted market prices.

Investments measured at NAV using the practical expedient as of June 30, 2025, consisted of the following:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Weatherlow (a)	\$ 2,966,024	\$ -	See below	See below
Balance as of June 30, 2025	<u>\$ 2,966,024</u>	<u>\$ -</u>		

Investments measured at NAV using the practical expedient as of June 30, 2024, consisted of the following:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Weatherlow (a)	\$ 5,953,756	\$ -	See below	See below
Balance as of June 30, 2024	<u>\$ 5,953,756</u>	<u>\$ -</u>		

(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 invests in hedge fund managers across five main sectors: Long-Short Equity, Event Driven, Relative Value, Global Asset Allocation, and Multi-Discipline. Based on the 2023 audited financial statements of the fund, the exposure to each sector was approximately 29% Long-Short Equity, 17% Event Driven, 12% Relative Value, 9% Global Asset Allocation, and 28% Multi-Discipline. The investment is illiquid during the term of commitment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 6 PLEDGE RECEIVABLES

Pledges were discounted using risk-adjusted interest rates, up to approximately 5.8%, 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:

	<u>2025</u>	<u>2024</u>
Corporations, Foundations, Individuals, and Trusts	\$ 28,537,774	\$ 43,066,151
Less: Unamortized Discount	(2,360,164)	(4,423,806)
Less: Allowance for Uncollectible Pledges	<u>(228,234)</u>	<u>(140,000)</u>
Net Pledges Receivable	<u>\$ 25,949,376</u>	<u>\$ 38,502,345</u>
Amount Due in:		
Less than One Year	\$ 17,349,139	\$ 22,366,151
One to Five Years	<u>11,188,635</u>	<u>20,700,000</u>
Total	<u>\$ 28,537,774</u>	<u>\$ 43,066,151</u>

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

The major categories of property and equipment at June 30 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Furniture and Equipment	\$ 3,659,640	\$ 3,606,150
Building and Leasehold Improvements	17,858,571	16,483,212
Construction in Process	<u>907,372</u>	<u>629,664</u>
Total	22,425,583	20,719,026
Less: Accumulated Depreciation	<u>(12,228,306)</u>	<u>(11,553,820)</u>
Property, Plant, and Equipment, Net	<u>\$ 10,197,277</u>	<u>\$ 9,165,206</u>

Construction in progress at June 30, 2025 relates to renovations of Start Early's new main office location at One North Dearborn and the Educare Lake County facility. The renovations at One North Dearborn are expected to be completed February 2026. The Educare Lake County Facility is expected to be completed Fall 2027. Construction in progress for the year ended June 30, 2024 related to renovations of the Educare facility within Chicago, which was completed during the year ended June 30, 2025. Start Early has construction commitments associated with project of approximately \$2,066,000 and \$120,000 at June 30, 2025 and 2024, respectively.

Depreciation expense was \$1,171,389 and \$1,226,118 for the years ended June 30, 2025 and 2024, respectively.

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 LINE OF CREDIT

The Organization 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, 2025 and 2024. 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 was December 31, 2025. Subsequent to year-end, the line of credit agreement was renewed with an expiration date of April 30, 2026. The interest rates for fiscal years 2025 and 2024 were 6.6% and 7.4%, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2025</u>	<u>2024</u>
Subject to the Passage of Time:		
Pledges Receivable Without Purpose Restrictions	\$ 834,949	\$ 807,236
Subject to Purpose Restrictions:		
Direct Work With Children	1,456,980	492,511
Program and Professional Innovation	16,847,249	20,650,722
Educare Lake County Facility	14,583,893	15,162,634
Policy and System Innovation	17,371,337	16,039,884
Infrastructure and Support	4,868,273	4,846,573
Endowment Returns Subject to Future Appropriations	6,379,071	4,917,403
Amounts With Perpetual Restrictions	14,652,749	14,652,749
Total Net Assets With Donor Restrictions	<u>\$ 76,994,501</u>	<u>\$ 77,569,712</u>

Net assets were released from donor restrictions when payments were made in satisfaction of the restrictions during the years ended June 30, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Direct Work With Children	\$ 763,462	\$ 531,389
Program and Professional Innovation	1,542,719	17,263,579
Policy and Systems Innovation	14,251,367	9,237,354
Infrastructure and Support	1,002,425	9,636
Passage of Time	8,795,266	1,716,195
Endowment Appropriations	762,916	752,764
Total	<u>\$ 27,118,155</u>	<u>\$ 29,510,917</u>

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 ENDOWMENT NET ASSETS

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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. The Organization 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, the Organization 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. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

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 the Organization to retain as a fund of perpetual duration. The Organization 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, 2025 and 2024.

The Organization 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. The Organization's investment policies specify a diversified portfolio with ranges for each asset type and include maximum volatility parameters. The Organization 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.

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 ENDOWMENT NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

As of June 30, 2025, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 5,903,616	\$ -	\$ 5,903,616
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	14,652,749	14,652,749
Accumulated Investment Gains	-	6,379,071	6,379,071
Total	<u>\$ 5,903,616</u>	<u>\$ 21,031,820</u>	<u>\$ 26,935,436</u>

Changes in endowment net assets for the fiscal year ended June 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 5,493,452	\$ 19,570,152	\$ 25,063,604
Investment Earnings	124,364	443,188	567,552
Net Appreciation (Realized and Unrealized)	499,884	1,781,396	2,281,280
Appropriation of Endowment Assets for Expenditures of Endowment Funds	(214,084)	(762,916)	(977,000)
Endowment Net Assets - End of Year	<u>\$ 5,903,616</u>	<u>\$ 21,031,820</u>	<u>\$ 26,935,436</u>

As of June 30, 2024, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 5,493,452	\$ -	\$ 5,493,452
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	14,652,749	14,652,749
Accumulated Investment Gains	-	4,917,403	4,917,403
Total	<u>\$ 5,493,452</u>	<u>\$ 19,570,152</u>	<u>\$ 25,063,604</u>

START EARLY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 ENDOWMENT NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

The changes in endowment net assets for the fiscal year ended June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 5,095,025	\$ 18,150,309	\$ 23,245,334
Investment Earnings	609,663	2,172,607	2,782,270
Appropriation of Endowment Assets for Expenditures of Endowment Funds	(211,236)	(752,764)	(964,000)
Endowment Net Assets - End of Year	<u>\$ 5,493,452</u>	<u>\$ 19,570,152</u>	<u>\$ 25,063,604</u>

NOTE 11 RETIREMENT PLANS

The Organization sponsors a defined contribution 401(k) retirement plan (the Plan). Participants may elect to contribute a percentage of their salaries to the Plan. The Organization contributed 6% of each participant's annual compensation to the Plan in 2025 and 2024. The Organization recorded contributions of \$2,701,038 and \$2,477,944 during the years ended June 30, 2025 and 2024, respectively.

The Organization also sponsors a supplemental employees' retirement plan, an unfunded, nonqualified deferred compensation plan. The Organization did not make contributions to this plan in 2025 or 2024.

NOTE 12 EDUCARE CHICAGO BUILDING

During fiscal year 2000, the Organization 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 the Organization to the Board of Education. Simultaneously, the Organization 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. The Organization considers the cost of construction of the building to be leasehold improvements.

The Organization 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, 2025 and 2024.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 RELATED PARTIES

Donations to the Organization from board members and staff were \$3,467,724 and \$42,080,504 for the years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, \$17,375,850 and \$32,910,625, respectively, were included in pledges receivable.

NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS

The Organization's received the following contributions of nonfinancial assets for the year ending June 30:

	2025	2024
Rent	\$ 75,000	\$ 75,000
Professional Services	3,468,450	1,043,609
Salary and Benefits	755,200	755,198
Goods	54,172	100,367
Total	<u>\$ 4,352,822</u>	<u>\$ 1,974,174</u>

All contributed nonfinancial assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated asset.

The Organization receives donated rent that is recorded at fair market value for the Educare Chicago Building. Donated rent was utilized in the direct work with children program.

Contribution of professional services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased or not provided by donations. Services consist mainly of professional services from attorneys advising the Organization 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 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 Organization received donated goods to support Start Early Home Visiting and Doula Network programs. Contributed goods were valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar goods.

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NOTE 15 LEASES

The Organization leases real estate under operating lease agreements that have initial terms ranging from 2 to 15 years. Some leases include one or more options to renew, generally at the Organization'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 the Organization, 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 the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The Organization also leases equipment under finance lease agreements with terms ranging from three to five years and interest rates ranging from 3.48% to 4.64%. The Organization'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.

The following tables provide quantitative information concerning the Organization's leases for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating Lease Cost	\$ 2,529,950	\$ 1,764,191
Finance Lease Cost - Amortization of Right-of-Use Assets	83,026	77,960
Finance Lease Cost - Interest on Lease Liabilities	10,149	12,116
Short-Term Lease Cost	70,608	80,250
Variable Lease Cost	201	26,993
Total Lease Cost	<u>\$ 2,693,934</u>	<u>\$ 1,961,510</u>
Other Information:		
Operating Cash Outflows from Operating Leases	\$ 4,347,598	\$ 1,862,729
Operating Cash Flows from Finance Leases	10,149	12,114
Financing Cash Flows from Finance Leases	89,284	80,936
ROU Assets Obtained in Exchange for New Lease Obligations:		
Operating Leases	\$ (4,506,916)	\$ 647,895
Finance Leases	14,937	24,142
Weighted-Average Remaining Lease Term - Operating	9.76 Years	7.58 Years
Weighted-Average Remaining Lease Term - Finance	2.72 Years	3.63 Years
Weighted-Average Discount Rate - Operating Leases	4.22%	3.40%
Weighted-Average Discount Rate - Finance Leases	3.60%	3.57%

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NOTE 15 LEASES (CONTINUED)

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

	<u>2025</u>	<u>2024</u>
Finance Leases:		
Equipment	\$ 408,363	\$ 403,361
Accumulated Depreciation	<u>(185,246)</u>	<u>(111,340)</u>
Finance Lease - ROU Assets, Net	<u>\$ 223,117</u>	<u>\$ 292,021</u>

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2026	\$ 2,731,914	\$ 98,956
2027	542,802	98,956
2028	512,774	61,849
2029	525,599	5,959
2030	538,747	-
Thereafter	<u>2,479,240</u>	<u>-</u>
Total Lease Payments	7,331,076	265,720
Less: Imputed Interest	<u>(1,022,328)</u>	<u>(12,380)</u>
Total Present Value of Lease Liabilities	<u>\$ 6,308,748</u>	<u>\$ 253,340</u>
	<u>Operating Leases</u>	<u>Finance Leases</u>
Short-Term Lease Liabilities	\$ 2,548,906	\$ 91,598
Long-Term Lease Liabilities	<u>3,759,842</u>	<u>161,742</u>
Total	<u>\$ 6,308,748</u>	<u>\$ 253,340</u>

During the year, the Organization exercised the early termination option on its lease at 33 W. Monroe Street in Chicago, with the termination to take effect October 31, 2025. The early termination penalty associated with exercise of the option is approximately \$2,850,000.

On January 6, 2025, the Organization signed a 10-year lease, with an option for five additional years, for office space at One North Dearborn Street in Chicago, Illinois. The commencement date for the lease is September 2025 with occupancy beginning November 2025. The annual base rental amount for the lease is approximately \$960,000 with annual increases of 2.5%. The Organization was granted a tenant allowance, part of which will be used to pay for the early termination clause for the lease at 33 W. Monroe.

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NOTE 16 LITIGATION

During the year ended June 30, 2025, the Organization is party to legal action that is incidental to its activities. The ultimate resolution of this matter, including any related financial effects on the Organization, is currently unknown. Despite the inherent uncertainties of the matter, management does not believe that the matter will have a material adverse impact on the financial condition of the Organization at this time.

NOTE 17 NEW MARKET TAX CREDIT

On December 4, 2025, Start Early entered into a ground lease agreement with the City of Zion. The lease has a 99 year term and aggregate rent for the life of the lease totaling \$99 was prepaid, resulting in a contribution of below market rent over the term of the lease. The land will be used to construct the new Educare facility in Lake County, Illinois.

On December 18, 2025, Start Early closed on two new markets tax credit transactions which provides debt and equity financing for the construction of a new Educare facility in Lake County, Illinois. Start Early Support Corporation (the Corporation) was created as part of the transaction and will be a consolidated entity of Start Early. Start Early has both control and economic interest in the Corporation. Start Early contributed approximately \$13,000,000 of cash to the Corporation, which the Corporation then used to provide an approximate \$13,000,000 leveraged loan to Start Early Investment Fund, LLC as part of the new market tax credit structure. Under the transactions, Start Early received a total of \$23,600,000 through seven different QLICI loans. Under the new market tax credit structure, there is a minimum seven year compliance period to ensure the tax credit structure, unwinding, and potential debt forgiveness can be completed at the end of the tax credit period.



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