Start Early

Consolidated Financial Report
June 30, 2024

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Start Early

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, 2024 and 2023, 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, 2024 and 2023, and the changes in their net assets and their 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.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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
March 5, 2025

Start Early

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	**$ 20,436,350**	$ 31,833,304
Accounts receivable—governmental agencies and other, net	**14,813,705**	13,962,485
Pledges receivable, current, net	**22,226,151**	7,759,540
Deposits, prepaid expenses and other assets	**3,025,244**	2,747,457
Total current assets	**60,501,450**	56,302,786
Investments:		
Undesignated	**4,552,142**	4,407,532
Donor and board designated	**25,063,604**	23,245,334
Total investments	**29,615,746**	27,652,866
Pledges receivable, net of current portion	**16,276,194**	1,464,963
Cash restricted for investment in property and equipment	**2,815,750**	-
Operating leases right-of-use-assets	**10,772,048**	11,416,081
Finance leases, right of-use-assets, net	**292,021**	345,839
Property, plant and equipment, net	**9,165,206**	9,505,068
Total assets	**$ 129,438,415**	$ 106,687,603
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	**$ 15,622,271**	$ 15,751,274
Deferred revenue and refundable advances	**1,027,233**	719,546
Current maturities of operating lease liabilities	**1,916,835**	1,449,893
Current maturities of finance lease liabilities	**88,403**	80,633
Total current liabilities	**18,654,742**	18,001,346
Operating lease liabilities, non-current	**12,301,987**	13,576,901
Finance lease liabilities, non-current	**240,159**	304,723
Other liabilities	**276,736**	253,625
Total liabilities	**31,473,624**	32,136,595
Net assets:		
Without donor restrictions:		
Undesignated	**14,901,627**	18,488,534
Board designated	**5,493,452**	5,095,025
	20,395,079	23,583,559
With donor restrictions	**77,569,712**	50,967,449
Total net assets	**97,964,791**	74,551,008
Total liabilities and net assets	**$ 129,438,415**	$ 106,687,603

See 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 & 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
Other revenue	3,843,083	-	3,843,083
Contributed nonfinancial assets	1,974,174	-	1,974,174
Net assets released 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 direct program services	101,304,044	-	101,304,044
Supporting services:			
General and administrative activities	10,927,575	-	10,927,575
Fund-raising	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 at beginning of year	23,583,559	50,967,449	74,551,008
Net assets at end of year	$ 20,395,079	$ 77,569,712	$ 97,964,791

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 and 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 Functional Expenses
Year Ended June 30, 2024

	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	$ 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 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 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 Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 23,413,783	$ 13,209,000
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,226,118	1,156,688
Amortization of financing right-to-use assets	77,960	84,555
Reduction in carrying amount of operating right-to-use assets	1,291,928	1,199,267
Amortization of present value discount	(367,841)	(358,778)
Bad debt expense	147,700	23,500
Net realized and unrealized gains on investments	(2,333,798)	(1,175,119)
Loss on sale of property, plant and equipment	-	32,065
Capital and endowment contributions	(16,997,953)	-
Changes in:		
Accounts and pledges receivable	(15,726,718)	6,053,659
Deposits, prepaid expenses and other assets	(277,787)	(1,393,041)
Accounts payable and accrued expenses	(604,968)	2,995,733
Operating lease liabilities	(1,455,867)	(1,357,242)
Other liabilities and deferred revenue	330,798	186,687
Net cash (used in) provided by operating activities	(11,276,645)	20,656,974
Cash flows from investing activities:		
Purchases of property and equipment	(410,291)	(1,402,024)
Proceeds from sales of investments	7,154,753	2,149,859
Purchases of investments	(6,783,835)	(1,866,467)
Net cash used in investing activities	(39,373)	(1,118,632)
Cash flows from financing activities:		
Proceeds from capital and endowment contributions	2,815,750	-
Payments made on finance lease obligations	(80,936)	(100,348)
Net cash provided by (used in) financing activities	2,734,814	(100,348)
Net (decrease) increase in cash and cash equivalents	(8,581,204)	19,437,994
Cash and cash equivalents at beginning of year	31,833,304	12,395,310
Cash and cash equivalents at end of year	$ 23,252,100	$ 31,833,304
Cash and cash equivalents	$ 20,436,350	$ 31,833,304
Cash restricted for investment in property and equipment	2,815,750	-
	$ 23,252,100	$ 31,833,304
Supplemental cash flow information:		
Fixed asset additions included in accounts payable	$ 475,965	$ 33,956
Cash paid for interest	$ 12,116	$ 6,895

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.

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 consolidated financial statements consolidate the accounts and activities of its affiliated entity, FFYF. All significant intercompany transactions have been eliminated.

Use of estimates: The preparation of 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, 2024 and 2023. 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. The allowance for uncollectable accounts from governmental agencies was $117,967 and $169,686 for the years ended June 30, 2024 and 2023, respectively. Accounts receivable generated from contracts with customers was $368,895 and $812,857 at June 30, 2024 and 2023, respectively; at July 1, 2022, the balance was $416,412. 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, 2024 and 2023. 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, 2024, approximately 17% of receivables (including accounts receivable and pledges receivable) were due from one federal agency, and 61% from a private donor. As of June 30, 2023, approximately 16% of receivables were due from one state agency, and 31% 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 (NAV). 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, 2024 or 2023. 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.

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 (three to five 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 Accounting Standards Codification (ASC) Topic 842. 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 right-of-use (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 ASC 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 $26,600,000, 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 reflected as refundable advances and 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 $50,000 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 consolidated 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.

Other revenue: Other revenue consists of training registration revenue, event revenue, and other earned income. Start Early 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; event revenue is recognized at the point in time when the event is held. Revenue recognized over time totaled $2,752,534 and $2,208,250, while revenue recognized as a point in time totaled $1,090,549 and $1,220,983, for the years ended June 30, 2024 and 2023, 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 $171,000, $87,000 and $169,000 at June 30, 2024, June 30, 2023 and July 1, 2022, respectively. There is generally no variable consideration or significant financing components associated with these contracts.

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 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, 2024 and 2023, 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Advertising expenses: Advertising costs are expensed as incurred. Total advertising expenses were $1,789,611 and $975,185 for the years ended June 30, 2024 and 2023, respectively.

Adopted accounting pronouncement: Effective July 1, 2023, Start Early adopted ASC 326, Financial Instruments—Credit Losses, using a modified retrospective approach for its financial assets in the scope of ASC 326. ASC 326 requires measurement and recognition of expected credit losses for financial assets held. Estimating credit losses based on risk characteristics requires significant judgment by Start Early. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of Start Early's financial assets, the estimated life of financial assets, and the level of reliance on historical experience in light of economic conditions. The adoption of this standard did not have a significant impact on Start Early's financial statements.

Reclassifications: Certain amounts in the 2023 consolidated financial statements have been reclassified to conform to the 2024 presentation, with no impact to previously reported net assets or changes in net assets.

Subsequent events: Start Early evaluated its June 30, 2024, financial statements for subsequent events through March 5, 2025, the date the consolidated financial statements were available to be issued.

On January 6, 2025, Start Early 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 March 1, 2026. The annual base rental amount for the lease is approximately $960,000 with annual increases of 2.5%. Start Early 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.

Subsequent to year-end, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration has tasked federal departments with evaluating all federal programs they administer to determine if the funding being provided falls under any of the policies covered by the EOs. During the year ended June 30, 2024, Start Early recognized federal financial assistance totaling approximately $46 million, and at June 30, 2024 has outstanding federal receivables of approximately $9 million. Start Early has not experienced any issues with the collectability of the receivables as a result of the EOs. As of the date of this report, the full impact of President Trump's EOs on Start Early's financial position and results of operations is uncertain. Management is actively monitoring the situation and assessing the potential effects on Start Early's consolidated financial statements.

Note 3. Liquidity and Availability

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

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	$ 20,436,350	$ 31,833,304
Accounts receivable—governmental agencies and other, net	14,813,705	13,962,485
Pledges receivable	38,502,345	9,224,503
Donor and board-designated investments	25,063,604	23,245,334
Undesignated investments	4,552,142	4,407,532
Total financial assets	103,368,146	82,673,158
Less amounts not available to be used within one year:		
Donor restricted and board-designated net assets	83,063,164	56,062,474
Less anticipated endowment appropriation	(977,000)	(964,000)
Less pledges receivable without purpose restrictions due within one year	(883,375)	(2,326,852)
Undesignated investments—long-term	4,552,142	4,407,532
	85,754,931	57,179,154
Total financial assets available within one year	17,613,215	25,494,004
Liquidity resources:		
Bank line of credit	6,000,000	6,000,000
Total financial assets and liquidity resources available within one year	$ 23,613,215	$ 31,494,004

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 $5,493,452. 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 6.3%, 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:

	2024	2023
Corporations, foundations, individuals and trusts	$ 43,066,151	$ 9,764,286
Less unamortized discount	(4,423,806)	(489,783)
Less allowance for uncollectible pledges	(140,000)	(50,000)
Net pledges receivable	$ 38,502,345	$ 9,224,503
Amount due in:		
Less than one year	$ 22,366,151	$ 7,809,540
One to five years	20,700,000	1,954,746
Total	$ 43,066,151	$ 9,764,286

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, 2024 and 2023, is summarized as follows:

	2024			2023		
	Undesignated	Donor and Board Designated	Total	Undesignated	Donor and Board Designated	Total
Publicly traded:						
Money market funds	$ -	$ 208,468	$ 208,468	$ -	$ 39,651	$ 39,651
Mutual funds	2,516,396	18,901,380	21,417,776	2,394,897	17,895,726	20,290,623
Supplemental employees' retirement plan (mutual funds)	276,736	-	276,736	253,625	-	253,625
Total publicly traded	2,793,132	19,109,848	21,902,980	2,648,522	17,935,377	20,583,899
Other investments:						
Limited partnerships	1,759,010	5,953,756	7,712,766	1,759,010	5,309,957	7,068,967
Total	$ 4,552,142	$ 25,063,604	$ 29,615,746	$ 4,407,532	$ 23,245,334	$ 27,652,866

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 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.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or of future fair values. While Start Early believes its valuation methods are appropriate, 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, 2024:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 208,468	$ -	$ -	$ 208,468
Mutual funds	21,694,512	-	-	21,694,512
	$ 21,902,980	$ -	$ -	21,902,980
Limited partnerships measured at NAV*				5,953,756
Limited partnerships - measurement alternative**				1,759,010
				$ 29,615,746

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, 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 - measurement alternative**				1,759,010
				$ 27,652,866

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

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

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

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	$ -		

(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.

Note 7. Property, Plant and Equipment

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

	2024	2023
Furniture and equipment	$ 3,606,150	$ 3,352,691
Building and leasehold improvements	16,483,212	16,483,756
Construction in process	629,664	-
Total property, plant and equipment	20,719,026	19,836,447
Less accumulated depreciation	(11,553,820)	(10,331,379)
Property, plant and equipment, net	$ 9,165,206	$ 9,505,068

Construction in progress relates to renovations of the Educare facility. Start Early has construction commitments associated with the project of approximately $120,000 at June 30, 2024. The project is expected to be completed and placed into service in fiscal year 2025. Depreciation expense was $1,226,118 and $1,156,688 for the years ended June 30, 2024 and 2023, respectively.

Note 8. Net Assets with Donor Restrictions

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

	2024	2023
Subject to the passage of time:		
Pledges receivable without purpose restrictions	$ 807,236	$ 2,442,381
Subject to purpose restrictions:		
Direct work with children	492,511	583,961
Program and professional innovation	20,650,722	11,218,897
Educare Lake County Facility	15,162,634	-
Policy and system innovation	16,039,884	13,740,818
Infrastructure and support	4,846,573	4,831,083
Endowment returns subject to future appropriations	4,917,403	3,497,560
Amounts with perpetual restrictions	14,652,749	14,652,749
Total net assets with donor restrictions	$ 77,569,712	$ 50,967,449

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, 2024 and 2023, as follows:

	2024	2023
Direct work with children	$ 531,389	$ 423,460
Program and professional innovation	17,263,579	11,393,996
Policy and systems innovation	9,237,354	8,937,611
Infrastructure and support	9,636	66,306
Passage of time	1,716,195	1,656,836
Endowment appropriations	752,764	753,545
Total	$ 29,510,917	$ 23,231,754

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, 2024 and 2023.

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, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 19,570,152	$ 19,570,152
Board-designated for long-term investment funds	5,493,452	-	5,493,452
Total	$ 5,493,452	$ 19,570,152	$ 25,063,604

Note 9. Endowment Net Assets (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
Appropriations of endowment assets for expenditures of endowment funds	(211,236)	(752,764)	(964,000)
Endowment net assets, end of year	$ 5,493,452	$ 19,570,152	$ 25,063,604

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

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

Note 10. 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, 2024 and 2023. The interest rate is equal to the sum of a rate equal to the secured overnight financing rate as administered by the New York Federal Reserve Bank plus 2.1% and the expiration date is August 31, 2024. The interest rates for fiscal years 2024 and 2023 were 7.4% and 7.2%, respectively. Subsequent to year-end, the line was renewed through August 31, 2025.

Note 11. Retirement Plans

Start Early sponsors a defined contribution 401(k) retirement plan (the Plan). Participants may elect to contribute a percentage of their salaries to the Plan. Start Early contributed 6% of each participant's annual compensation to the Plan in 2024 and 3% in 2023. Start Early recorded contributions of $2,477,944 and $1,004,204 during the years ended June 30, 2024 and 2023, 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 2024 or 2023.

Note 12. 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, 2024 and 2023.

Note 13. Related Parties

Donations to Start Early from board members and staff were $42,080,504 and $2,889,627 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, $32,910,625 and $267,560 were included in pledges receivable, respectively.

Note 14. Contributed Nonfinancial Assets

Start Early's recognized contributed nonfinancial assets totaling $1,974,174 and $740,888 in 2024 and 2023, respectively, including services, salaries and benefits and rent.

Contributed services of $1,143,976 in 2024 and $86,048 in 2023 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 $755,198 and $587,840 in 2024 and 2023, 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.

Note 14. Contributed Nonfinancial Assets (Continued)

The contributed rent of $75,000 in 2024 and 2023 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 15. Leases

Start Early leases real estate under operating lease agreements that have initial terms ranging from two 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 three to five years and interest rates ranging from 3.48% to 4.46%. 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.

The components of lease expense are as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Operating lease cost	$ 1,764,191	$ 1,606,555
Finance lease cost—amortization of right-of-use assets	77,960	84,555
Finance lease cost—interest on lease liabilities	12,116	6,895
Short-term lease cost	80,250	82,463
Variable lease cost	26,993	9,872
Total lease cost	$ 1,961,510	$ 1,790,340

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2024:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	$ 1,862,729	$ 1,782,785
Operating cash outflows—payments on finance leases	12,114	20,580
Financing cash outflows—payments on finance leases	80,936	3,571
ROU assets obtained in exchange for new lease obligations:		
Operating leases	$ 647,895	$ 4,083,695
Finance leases	24,142	379,219

Note 15. Leases (Continued)

Supplemental information related to leases as presented on the consolidated statements of financial position as of June 30, 2024 and 2023, is as follows:

	2024	2023
Finance leases:		
Equipment	$ 403,361	$ 379,219
Accumulated depreciation	(111,340)	(33,380)
Finance lease, ROU assets, net	$ 292,021	$ 345,839
Weighted-average remaining lease term:		
Operating leases	7.58 years	8.67 years
Finance leases	3.63 years	4.54 years
Weighted-average discount rate:		
Operating leases	3.40%	3.32%
Finance leases	3.57%	3.49%

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, 2024:

	Operating Leases	Finance Leases
Years ending June 30:		
2025	$ 2,348,338	$ 98,423
2026	2,384,230	95,793
2027	2,176,670	94,917
2028	2,168,187	57,809
2029	2,202,558	2,929
Thereafter	5,000,175	-
Total lease payments	16,280,158	349,871
Less imputed interest	(2,061,336)	(21,309)
Total present value of lease liabilities	$ 14,218,822	$ 328,562

Subsequent to year-end, Start Early exercised the early termination option in 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.