Early Learning Ventures

Consolidated Financial Report
December 31, 2018

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Independent Auditor's Report

To the Governance Council
Early Learning Ventures

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Early Learning Ventures and its subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Early Learning Ventures and its subsidiary as of December 31, 2018 and the results of its activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Organization adopted the provisions under Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

To the Governance Council
Early Learning Ventures

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Early Learning Ventures and its subsidiary as of December 31, 2017 were audited by EKS&H LLLP, whose report dated August 15, 2018 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019 on our consideration of Early Learning Ventures' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Early Learning Ventures' internal control over financial reporting and compliance.

Plante & Moran, PLLC

July 31, 2019

Consolidated Statement of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash	$ 937,429	$ 460,131
Restricted cash	30,340	98,074
Receivables:		
Accounts receivable	3,950	9,582
Grants receivable	487,246	313,669
Due from related parties (Note 5)	10,122	4,251
Prepaid expenses and other assets (Note 5)	145,177	-
Total assets	**$ 1,614,264**	**$ 885,707**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 363,679	$ 237,794
Accrued expenses	67,373	116,823
Due to related parties (Note 5)	2,027	28,324
Total liabilities	433,079	382,941
Net Assets		
Without donor restrictions	1,150,845	404,692
With donor restrictions	30,340	98,074
Total net assets	1,181,185	502,766
Total liabilities and net assets	**$ 1,614,264**	**$ 885,707**

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Federal grant revenue	$ 3,395,047	$ -	$ 3,395,047	$ 3,130,158	$ -	$ 3,130,158
Nonfederal grant and contract revenue	1,840,601	25,000	1,865,601	755,689	100,000	855,689
Membership dues - Net of scholarships	133,073	-	133,073	80,837	-	80,837
Contributions	9,439	-	9,439	10,911	-	10,911
Other revenue	21,172	-	21,172	144,925	-	144,925
Total revenue	5,399,332	25,000	5,424,332	4,122,520	100,000	4,222,520
Net assets released from restrictions	92,734	(92,734)	-	408,316	(408,316)	-
Total revenue	5,492,066	(67,734)	5,424,332	4,530,836	(308,316)	4,222,520
Expenses						
Program services	4,356,675	-	4,356,675	4,648,207	-	4,648,207
Support services:						
Management and general	384,238	-	384,238	306,452	-	306,452
Fundraising	5,000	-	5,000	41,541	-	41,541
Total support services	389,238	-	389,238	347,993	-	347,993
Total expenses	4,745,913	-	4,745,913	4,996,200	-	4,996,200
Increase (Decrease) in Net Assets	746,153	(67,734)	678,419	(465,364)	(308,316)	(773,680)
Net Assets - Beginning of year	404,692	98,074	502,766	870,056	406,390	1,276,446
Net Assets - End of year	**$ 1,150,845**	**$ 30,340**	**$ 1,181,185**	**$ 404,692**	**$ 98,074**	**$ 502,766**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018
(with comparative totals for 2017)

	Program Services	Management and General	Fundraising	Total	2017
Grants	$ 1,848,233	$ 119,529	$ -	$ 1,967,762	$ 2,036,141
Salaries	1,053,549	214,506	-	1,268,055	1,418,437
Professional services	658,770	19,773	-	678,543	725,968
Supplies	368,467	25	-	368,492	259,370
Technology	269,084	-	-	269,084	270,936
Travel	59,844	5,999	-	65,843	105,558
Other	19,818	16,041	-	35,859	42,157
Seminars and training	31,689	3,741	-	35,430	44,536
Marketing	11,626	3,408	5,000	20,034	41,541
Telephone	15,883	840	-	16,723	18,228
Office expenses	10,225	75	-	10,300	14,019
Meetings	7,531	301	-	7,832	16,314
Dues and subscriptions	1,956	-	-	1,956	2,223
Education	-	-	-	-	772
Total functional expenses	**$ 4,356,675**	**$ 384,238**	**$ 5,000**	**$ 4,745,913**	**$ 4,996,200**

Consolidated Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 678,419	$ (773,680)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	5,632	(9,582)
Grants receivable	(173,577)	104,765
Prepaid expenses and other assets	(145,177)	280,845
Accounts payable	125,885	42,122
Accrued expenses	(49,450)	(24,490)
Deferred revenue	-	(2,520)
Due to/from related parties	(32,168)	8,079
Net Increase (Decrease) in Cash	409,564	(374,461)
Cash - Beginning of year	558,205	932,666
Cash - End of year	**$ 967,769**	**$ 558,205**
Consolidated Statement of Financial Position Classification of Cash		
Cash	$ 937,429	$ 460,131
Restricted cash	30,340	98,074
Total cash	**$ 967,769**	**$ 558,205**

Note 1 - Nature of Business

Early Learning Ventures (ELV), a nonprofit corporation, was incorporated in the state of Colorado on January 14, 2009 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). ELV is dedicated to expanding access to quality, affordable child care and focuses its efforts on improving the quality of early child care programs offered at the nation's center- and home-based child care facilities.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of ELV and ELV Colorado Alliance, LLC, a wholly owned subsidiary (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Adoption of New Accounting Pronouncement

During the year ended December 31, 2018 and retrospectively applied to all periods presented, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including net asset classification, liquidity and availability of resources, and details of expenses by natural and functional classification and methods of allocation. As allowed under ASU No. 2016-14, the Organization has elected not to present the consolidated statement of functional expenses or disclosures surrounding liquidity and availability of resources for the year ended December 31, 2017.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Periodically throughout the year and at December 31, 2018, the Organization maintained balances in financial institutions in excess of federally insured limits.

Note 2 - Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash consists of private grant revenue received in advance of expenditures, which is also reflected in net assets with donor restrictions.

Accounts and Grants Receivable

Accounts and grants receivable consist primarily of amounts due under grant agreements and other miscellaneous receivables. The provision for uncollectible accounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical collections that are tracked by the Organization on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. Management has reviewed accounts and grants receivable as of December 31, 2018 and 2017 and has determined that an allowance is not necessary.

Revenue

Revenue from government grants and contracts is recognized in the period in which the related services are rendered and expenses are incurred. Membership revenue is recognized over the annual term of the membership. Deferred revenue represents membership revenue received in advance of the term of the membership. Membership revenue is reported net of scholarships of $28,006 and $86,683 for the years ended December 31, 2018 and 2017, respectively.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Costs have been allocated between the various programs and support services on several bases and estimates. Salary and benefit allocations are based upon estimates of actual time worked on each activity, while all other expenses are directly allocated to the activity supported. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization has not yet determined which application method it will use.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization’s year ending December 31, 2019 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including July 31, 2019, which is the date the consolidated financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Organization has $1,569,264 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures, consisting of cash of $937,429, accounts receivable of $3,950, grants receivable of $487,246, amounts due from related parties of $10,122, and prepaid expenses and other assets of $145,177, which represent prepaid compensation costs, at December 31, 2018. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $791,000 at December 31, 2018. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 are available for the following purposes:

	2018	2017
Healthy Options for Preschoolers	$ 30,340	$ 98,074

Note 5 - Related Party Transactions

The Organization is affiliated with Consolidated Investment Group, Inc. and Merage Social Impact (the "Companies"). Each of the Companies is owned, in whole or in part, by the Organization's founders. Some of the Organization's board members and officers are also owners or officers of the Companies. The Companies provide certain management and administrative services to the Organization. In addition, the Companies provide personnel, office space, and facilities to the Organization free of charge. As of December 31, 2018 and 2017, the Organization owed the Companies $2,027 and $28,324, respectively, resulting from fees and expenses paid by the Companies on the Organization's behalf. Additionally, the Organization paid the Companies in advance to prefund payroll in the amount of $145,177 as of December 31, 2018, which has been recorded in prepaid expenses and other assets on the consolidated statement of financial position. This prefunding had no balance as of December 31, 2017. As of December 31, 2018 and 2017, the Organization was owed $10,122 and $4,251, respectively, from the Companies for various services rendered.

Note 6 - Contingencies

The Organization receives revenue from contracts with governmental agencies. The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined, and no provision for any liability that may result has been made in the consolidated financial statements. However, management believes the Organization is in compliance with its grant requirements, and no liability has arisen in the past or is currently expected.