EARLY LEARNING INDIANA, INC.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018 AND 2017
# TABLE OF CONTENTS

**EARLY LEARNING INDIANA, INC.**

**TABLE OF CONTENTS**

**DECEMBER 31, 2018 AND 2017**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Report of Independent Auditors</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>Financial Statements</strong></td>
<td></td>
</tr>
<tr>
<td>Statements of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Statements of Functional Expenses</td>
<td>6</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>8</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>9</td>
</tr>
<tr>
<td><strong>Additional Reports and Information Required Under Single Audit Act</strong></td>
<td></td>
</tr>
<tr>
<td>Report of Independent Auditors on Internal Control Over Financial</td>
<td>30</td>
</tr>
<tr>
<td>Reporting and on Compliance and Other Matters Based on an Audit of</td>
<td></td>
</tr>
<tr>
<td>Financial Statements Performed in Accordance With Government</td>
<td></td>
</tr>
<tr>
<td>Auditing Standards</td>
<td></td>
</tr>
<tr>
<td>Report of Independent Auditors on Compliance for Each Major Program</td>
<td>32</td>
</tr>
<tr>
<td>and on Internal Control Over Compliance Required by the Uniform</td>
<td></td>
</tr>
<tr>
<td>Guidance</td>
<td></td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>35</td>
</tr>
<tr>
<td>Summary Schedule of Prior Audit Findings</td>
<td>40</td>
</tr>
<tr>
<td><strong>Supplementary Information</strong></td>
<td></td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>41</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT AUDITORS

Board of Directors
Early Learning Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Early Learning Indiana, Inc. (ELI), a not-for-profit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.
REPORT OF INDEPENDENT AUDITORS
(Continued)

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 financial statements referred to above present fairly, in all material respects, the financial position of ELI as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, effective January 1, 2018, ELI adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statement of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2019 on our consideration of ELI’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 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 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 ELI’s internal control over financial reporting and compliance.

Blue & Co., LLC

Carmel, Indiana
August 12, 2019
# EARLY LEARNING INDIANA, INC.

## STATEMENTS OF FINANCIAL POSITION

**DECEMBER 31, 2018 AND 2017**

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 1,100,812</td>
<td>$ 4,891,470</td>
</tr>
<tr>
<td>Investments</td>
<td>6,799,191</td>
<td>9,863,537</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,073,218</td>
<td>1,536,588</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>243,367</td>
<td>329,125</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,407,198</td>
<td>1,214,009</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>3,630,254</td>
<td>3,922,862</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>14,019,207</td>
<td>4,858,854</td>
</tr>
<tr>
<td>Beneficial interests in assets held by others</td>
<td>150,727</td>
<td>311,041</td>
</tr>
</tbody>
</table>

**Total Assets**

$ 28,423,974  
$ 26,927,486

### LIABILITIES AND NET ASSETS

#### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 468,653</td>
<td>$ 680,619</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>889,756</td>
<td>833,514</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,358,409</td>
<td>1,514,133</td>
</tr>
</tbody>
</table>

#### Net assets

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Without donor restrictions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>5,073,726</td>
<td>7,757,505</td>
</tr>
<tr>
<td>Board designated - endowment</td>
<td>4,168,872</td>
<td>4,672,347</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>9,242,598</td>
<td>12,429,852</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>With donor restrictions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose restricted</td>
<td>7,650,534</td>
<td>12,281,593</td>
</tr>
<tr>
<td>Time restricted for future periods</td>
<td>171,371</td>
<td>204,360</td>
</tr>
<tr>
<td>Endowment</td>
<td>10,001,062</td>
<td>497,548</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>17,822,967</td>
<td>12,983,501</td>
</tr>
</tbody>
</table>

**Total Net Assets**

$ 28,423,974  
$ 26,927,486

*See accompanying notes to financial statements.*
### EARLY LEARNING INDIANA, INC.

#### STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

(With Comparative Total for the Year Ended December 31, 2017)

<table>
<thead>
<tr>
<th></th>
<th>2018 Without Donor Restrictions</th>
<th>2018 With Donor Restrictions</th>
<th>2018 Total</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees and grants from government agencies</td>
<td>$12,319,673</td>
<td>$3,080</td>
<td>$12,322,753</td>
<td>$13,236,755</td>
</tr>
<tr>
<td>Program service fees, net of tuition assistance and discounts of $937,057</td>
<td>4,320,403</td>
<td>0-</td>
<td>4,320,403</td>
<td>4,723,169</td>
</tr>
<tr>
<td>Direct public support - contributions</td>
<td>60,390</td>
<td>20,772</td>
<td>81,162</td>
<td>293,284</td>
</tr>
<tr>
<td>Direct public support - grants</td>
<td>27,519</td>
<td>10,358,008</td>
<td>10,385,527</td>
<td>346,972</td>
</tr>
<tr>
<td>Indirect public support - contributed by associated organizations</td>
<td>300</td>
<td>30,000</td>
<td>30,300</td>
<td>35,675</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>821,502</td>
<td>0-</td>
<td>821,502</td>
<td>722,878</td>
</tr>
<tr>
<td>United Way allocation</td>
<td>171,371</td>
<td>171,371</td>
<td>342,742</td>
<td>408,720</td>
</tr>
<tr>
<td>United Way special grants</td>
<td>126,596</td>
<td>113,845</td>
<td>240,441</td>
<td>272,292</td>
</tr>
<tr>
<td>United Way donor designated contributions</td>
<td>40,221</td>
<td>0-</td>
<td>40,221</td>
<td>56,188</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>(197,601)</td>
<td>13,263</td>
<td>(184,338)</td>
<td>632,391</td>
</tr>
<tr>
<td>Change in value of beneficial interests in assets held by others</td>
<td>(4,805)</td>
<td>0-</td>
<td>(4,805)</td>
<td>45,827</td>
</tr>
<tr>
<td>Other</td>
<td>0-</td>
<td>0-</td>
<td>0-</td>
<td>195,649</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td><strong>5,870,873</strong></td>
<td><strong>(5,870,873)</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td><strong>23,556,442</strong></td>
<td>4,839,466</td>
<td>28,395,908</td>
<td>20,969,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Expenses</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child care centers</td>
<td>12,557,356</td>
<td>0-</td>
<td>12,557,356</td>
<td>12,561,619</td>
</tr>
<tr>
<td>Partnerships for Early Learners and Child Care Answers</td>
<td>11,041,196</td>
<td>0-</td>
<td>11,041,196</td>
<td>10,570,716</td>
</tr>
<tr>
<td>Child and Adult Care Food Program</td>
<td>934,680</td>
<td>0-</td>
<td>934,680</td>
<td>1,256,669</td>
</tr>
<tr>
<td>Fundraising</td>
<td>227,807</td>
<td>0-</td>
<td>227,807</td>
<td>335,956</td>
</tr>
<tr>
<td>Management and general</td>
<td>1,982,657</td>
<td>0-</td>
<td>1,982,657</td>
<td>1,634,360</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>26,743,696</strong></td>
<td><strong>0-</strong></td>
<td><strong>26,743,696</strong></td>
<td><strong>26,359,320</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Change in net assets</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(3,187,254)</td>
<td>4,839,466</td>
<td>1,652,212</td>
<td>(5,390,020)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net assets, beginning of year</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,429,852</td>
<td>12,983,501</td>
<td>25,413,353</td>
<td>30,803,373</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net assets, end of year</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$9,242,598</td>
<td>$17,822,967</td>
<td>$27,065,565</td>
<td>$25,413,353</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
## EARLY LEARNING INDIANA, INC.

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and support</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees and grants from government agencies</td>
<td>$13,231,066</td>
<td>$5,689</td>
<td>$13,236,755</td>
</tr>
<tr>
<td>Program service fees, net of tuition assistance and discounts of $904,654</td>
<td>4,723,169</td>
<td>-0-</td>
<td>4,723,169</td>
</tr>
<tr>
<td>Direct public support - contributions</td>
<td>272,182</td>
<td>21,102</td>
<td>293,284</td>
</tr>
<tr>
<td>Direct public support - grants</td>
<td>33,542</td>
<td>313,430</td>
<td>346,972</td>
</tr>
<tr>
<td>Indirect public support - contributed by associated organizations</td>
<td>125</td>
<td>35,550</td>
<td>35,675</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>722,878</td>
<td>-0-</td>
<td>722,878</td>
</tr>
<tr>
<td>United Way allocation</td>
<td>204,360</td>
<td>204,360</td>
<td>408,720</td>
</tr>
<tr>
<td>United Way special grants</td>
<td>70,717</td>
<td>201,575</td>
<td>272,292</td>
</tr>
<tr>
<td>United Way donor designated contributions</td>
<td>56,188</td>
<td>-0-</td>
<td>56,188</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>603,847</td>
<td>28,544</td>
<td>632,391</td>
</tr>
<tr>
<td>Change in value of beneficial interests in assets held by others</td>
<td>28,067</td>
<td>17,260</td>
<td>45,327</td>
</tr>
<tr>
<td>Other</td>
<td>195,649</td>
<td>-0-</td>
<td>195,649</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td><strong>6,409,670</strong></td>
<td><strong>(6,409,670)</strong></td>
<td><strong>0-</strong></td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td>26,551,460</td>
<td>(5,582,160)</td>
<td>20,969,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child care centers</td>
<td>12,561,619</td>
<td>-0-</td>
<td>12,561,619</td>
</tr>
<tr>
<td>Partnerships for Early Learners and Child Care Answers</td>
<td>10,570,716</td>
<td>-0-</td>
<td>10,570,716</td>
</tr>
<tr>
<td>Child and Adult Care Food Program</td>
<td>1,256,669</td>
<td>-0-</td>
<td>1,256,669</td>
</tr>
<tr>
<td>Fundraising</td>
<td>335,956</td>
<td>-0-</td>
<td>335,956</td>
</tr>
<tr>
<td>Management and general</td>
<td>1,634,360</td>
<td>-0-</td>
<td>1,634,360</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>26,359,320</td>
<td>-0-</td>
<td>26,359,320</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in net assets</strong></td>
<td>192,140</td>
<td>(5,582,160)</td>
<td>(5,390,020)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>12,237,712</td>
<td>18,565,661</td>
<td>30,803,373</td>
</tr>
</tbody>
</table>

|                                | $12,429,852               | $12,983,501             | $25,413,353 |

---

*See accompanying notes to financial statements.*
# EARLY LEARNING INDIANA, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED DECEMBER 31, 2018**

(With Comparative Total for the Year Ended December 31, 2017)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program Services</td>
<td>Supporting Services</td>
</tr>
<tr>
<td></td>
<td>Child Care Centers</td>
<td>Child Care Answers</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>$ 6,590,990</td>
<td>$ 4,635,788</td>
</tr>
<tr>
<td>Employee health, retirement benefits and payroll taxes</td>
<td>1,403,092</td>
<td>903,425</td>
</tr>
<tr>
<td>Other employee related expenses</td>
<td>144,223</td>
<td>117,602</td>
</tr>
<tr>
<td></td>
<td>8,138,305</td>
<td>5,565,815</td>
</tr>
<tr>
<td>Food supplies and contracts</td>
<td>691,282</td>
<td>3,180</td>
</tr>
<tr>
<td>Classroom and educational</td>
<td>231,936</td>
<td>459,467</td>
</tr>
<tr>
<td>Licensing and center program</td>
<td>649,801</td>
<td>11,215</td>
</tr>
<tr>
<td>Other supplies</td>
<td>22,742</td>
<td>37,909</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,075,886</td>
<td>260,884</td>
</tr>
<tr>
<td>Depreciation</td>
<td>247,737</td>
<td>-0</td>
</tr>
<tr>
<td>Contracted services</td>
<td>316,147</td>
<td>-0</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>335,513</td>
<td>-0</td>
</tr>
<tr>
<td>Insurance</td>
<td>51,762</td>
<td>1,118</td>
</tr>
<tr>
<td>Public relations, marketing and advertising</td>
<td>21,956</td>
<td>139,969</td>
</tr>
<tr>
<td>Office operations</td>
<td>81,561</td>
<td>75,190</td>
</tr>
<tr>
<td>Professional fees</td>
<td>319,336</td>
<td>747,738</td>
</tr>
<tr>
<td>Grants made</td>
<td>-0</td>
<td>3,388,829</td>
</tr>
<tr>
<td>Mileage, parking and travel</td>
<td>75,037</td>
<td>258,882</td>
</tr>
<tr>
<td>Other</td>
<td>298,355</td>
<td>-0</td>
</tr>
<tr>
<td>Childcare provider pass through</td>
<td>-0</td>
<td>-0</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$ 12,557,356</td>
<td>$ 11,041,196</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
# EARLY LEARNING INDIANA, INC.
## STATEMENT OF FUNCTIONAL EXPENSES
### YEAR ENDED DECEMBER 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Supporting Services</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Child Care Centers</td>
<td>Child Care Answers</td>
<td>Child and Adult Care Food Program</td>
<td>Total Program Services</td>
<td>Fundraising</td>
<td>Management and General</td>
<td>Total Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>$6,708,924</td>
<td>$4,458,517</td>
<td>$86,032</td>
<td>$11,253,473</td>
<td>$256,162</td>
<td>$916,078</td>
<td>$12,425,713</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee health, retirement benefits and payroll taxes</td>
<td>1,265,569</td>
<td>725,715</td>
<td>17,193</td>
<td>2,008,477</td>
<td>43,345</td>
<td>156,612</td>
<td>2,208,434</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other employee related expenses</td>
<td>223,446</td>
<td>22,207</td>
<td>0-</td>
<td>245,653</td>
<td>524</td>
<td>53,367</td>
<td>299,544</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,197,939</td>
<td>5,206,439</td>
<td>103,225</td>
<td>13,507,605</td>
<td>300,031</td>
<td>1,126,057</td>
<td>14,933,691</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food supplies and contracts</td>
<td>731,807</td>
<td>4,396</td>
<td>-0-</td>
<td>736,203</td>
<td>-0-</td>
<td>-0-</td>
<td>736,203</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classroom and educational</td>
<td>251,221</td>
<td>395,083</td>
<td>600</td>
<td>646,904</td>
<td>-0-</td>
<td>-0-</td>
<td>646,904</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensing and center program</td>
<td>687,353</td>
<td>10,298</td>
<td>175</td>
<td>697,826</td>
<td>660</td>
<td>2,019</td>
<td>700,505</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other supplies</td>
<td>76,651</td>
<td>3,996</td>
<td>-0-</td>
<td>80,647</td>
<td>420</td>
<td>262</td>
<td>81,329</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td>988,252</td>
<td>299,894</td>
<td>8,254</td>
<td>1,296,400</td>
<td>11,901</td>
<td>25,069</td>
<td>1,333,370</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>327,969</td>
<td>-0-</td>
<td>-0-</td>
<td>327,969</td>
<td>-0-</td>
<td>-0-</td>
<td>397,821</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted services</td>
<td>299,059</td>
<td>-0-</td>
<td>-0-</td>
<td>299,059</td>
<td>-0-</td>
<td>1,144</td>
<td>300,203</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>255,845</td>
<td>8,101</td>
<td>206</td>
<td>264,152</td>
<td>-0-</td>
<td>11,612</td>
<td>275,764</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>36,387</td>
<td>-0-</td>
<td>-0-</td>
<td>36,387</td>
<td>-0-</td>
<td>14,133</td>
<td>50,520</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public relations, marketing and advertising</td>
<td>48,417</td>
<td>205,149</td>
<td>34</td>
<td>253,600</td>
<td>13,721</td>
<td>18,074</td>
<td>285,395</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office operations</td>
<td>76,592</td>
<td>79,442</td>
<td>1,262</td>
<td>157,296</td>
<td>3,689</td>
<td>25,102</td>
<td>186,087</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees</td>
<td>416,877</td>
<td>881,436</td>
<td>9,937</td>
<td>1,308,250</td>
<td>3,580</td>
<td>321,187</td>
<td>1,633,017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants made</td>
<td>-0-</td>
<td>3,156,249</td>
<td>-0-</td>
<td>3,156,249</td>
<td>-0-</td>
<td>-0-</td>
<td>3,156,249</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mileage, parking and travel</td>
<td>100,806</td>
<td>320,233</td>
<td>5,321</td>
<td>426,360</td>
<td>1,954</td>
<td>14,235</td>
<td>442,549</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>66,444</td>
<td>-0-</td>
<td>-0-</td>
<td>66,444</td>
<td>-0-</td>
<td>5,614</td>
<td>72,058</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Childcare provider pass through</td>
<td>-0-</td>
<td>-0-</td>
<td>1,127,655</td>
<td>1,127,655</td>
<td>-0-</td>
<td>-0-</td>
<td>1,127,655</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$12,561,619</td>
<td>$10,570,716</td>
<td>$1,256,669</td>
<td>$24,389,004</td>
<td>$335,956</td>
<td>$1,634,360</td>
<td>$26,359,320</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
### EARLY LEARNING INDIANA, INC.

**STATEMENTS OF CASH FLOWS**  
YEARS ENDED DECEMBER 31, 2018 AND 2017

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$1,652,212</td>
<td>$(5,390,020)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$305,189</td>
<td>$397,821</td>
</tr>
<tr>
<td>Realized and unrealized losses (gains) on investments, net</td>
<td>$462,161</td>
<td>$(416,875)</td>
</tr>
<tr>
<td>Gain on disposal of property and equipment</td>
<td>-$0-</td>
<td>$(195,649)</td>
</tr>
<tr>
<td>Bad debts - accounts receivable</td>
<td>$319,448</td>
<td>$71,143</td>
</tr>
<tr>
<td>Contributions restricted for long-term investment in assets held by others</td>
<td>-$0-</td>
<td>$(1,099)</td>
</tr>
<tr>
<td>Contributions restricted for long-term investment</td>
<td>$(9,500,000)</td>
<td>$0-</td>
</tr>
<tr>
<td>Change in value of beneficial interests in assets held by others</td>
<td>$4,805</td>
<td>$(45,327)</td>
</tr>
<tr>
<td>Change in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$143,922</td>
<td>$817,426</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>$85,758</td>
<td>$113,085</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$(193,189)</td>
<td>$(420,905)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$(211,966)</td>
<td>$54,437</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>$56,242</td>
<td>$6,929</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>$(6,875,418)</td>
<td>$(5,009,034)</td>
</tr>
</tbody>
</table>

| **Investing activities**       |            |            |
| Capital expenditures           | $(12,581)  | $(285,227) |
| Proceeds from the sale of property and equipment | -$0-       | $2,056,667 |
| Proceeds from the sale of investments | $10,211,614 | $12,769,116 |
| Purchases of investments       | $(16,769,782) | $(7,430,217) |
| Distributions received from beneficial interests in assets held by others | $155,509  | $179,534  |
| Net cash flows from investing activities | $(6,415,240) | $7,289,873 |

| **Financing activities**       |            |            |
| Contributions restricted for long-term investment | $9,500,000 | $0-         |
| Net change in cash              | $(3,790,658) | $2,280,839 |

| Cash, beginning of year         | $4,891,470 | $2,610,631 |
| Cash, end of year               | $1,100,812 | $4,891,470 |

### Supplemental disclosure of noncash investing and financing activities

Change in accounts payable related to capital expenditures | $0- | $(75,761) |
1. **NATURE OF ACTIVITIES**

Early Learning Indiana, Inc. (ELI) is a not-for-profit organization dedicated to ensuring the highest level of early care and education for children in Indiana. The following is a description of the services that ELI provides:

**Child Care Centers** – At the core of ELI are the Day Early Learning centers. Day Early Learning serves more than 1,300 children annually from six weeks to six years of age in 10 Central Indiana area locations. Our centers focus on providing the highest quality – in care, education, environments and staff. In addition, thanks to a federal grant, we also administer Early Head Start programs for children ages birth to three years of age in three Indianapolis-area high-quality centers.

**Partnerships for Early Learners** – As a result of a $20 million grant from Lilly Endowment in 2014, Partnerships for Early Learners was created to assist early education programs across the state reach higher levels of quality, build capacity and train and retain good teachers. In addition to operating a statewide call center that serves more than 60,000 families a year with child care referrals and evidence-based information, we provide coaching, training and outreach to more than 4,000 individual child care providers, independent research on early education and advocates for increased access to high quality early education for all Hoosiers.

**Child Care Answers** – ELI’s Child Care Answers team provides child care resource, training and referral services to six counties in Central Indiana. We help families navigate child care options and provide information on program quality. We facilitate and provide access to the Child and Adult Care Food Program (CACFP) for over a hundred childcare providers in Indiana. With a focus on expanding the skills of the early childhood field, our staff provides coaching, trainings and free resources to a range of early care programs. It is the vision of Child Care Answers to ensure that the children of today and tomorrow are cared for in a professional and nurturing manner and that families, child care providers, and community leaders know the importance of their roles in the development of children.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are in place by ELI’s donors, as follows:

**Net assets without donor restrictions** – Net assets without donor restrictions are resources available to support operations. The only limits on the use of such net assets are the broad limits resulting from the nature of ELI, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
**Net assets with donor restrictions** — Net assets with donor restrictions are subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specific term with investment return available for operations or specific purposes.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the statement of activities by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, support and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

ELI considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, but excludes cash equivalents held by investment managers and included in investments. At December 31, 2018 and 2017, there are no cash equivalents held outside of investment accounts.

**Accounts Receivable**

Accounts receivable are stated at the amount due to ELI under cost reimbursement grants and performance based service contracts where allowable costs have been incurred or the services have been performed. All amounts are due within one year. Management estimates an allowance for uncollectible accounts receivable based on an evaluation of current economic conditions, historical trends, and past experience with their clients and grantors. Management has estimated and recorded an allowance for doubtful accounts of $13,500 and $4,000 at December 31, 2018 and 2017, respectively.

**Contributions Receivable**

Contributions receivable consist of amounts that have been unconditionally promised to ELI. Management estimates an allowance for uncollectible contributions receivable based on an evaluation of current economic conditions, historical trends, and past experience with ELI’s grantor and donor base. Management has estimated and recorded an allowance for doubtful contributions receivable of $4,666 and $5,467 at December 31, 2018 and 2017, respectively.
Prepaid Expenses

Prepaid expenses include insurance, deposits, and grant payments made in advance to various grantees which are expensed as incurred.

Investments and Investment Return

Investments are carried at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the statement of activities in the period in which such changes occur. Realized gains and losses are recorded based on the cost of the specific securities sold. Interest and dividend income is recorded when earned. Investment return is recognized as revenue without donor restrictions unless its use is restricted by donors to a specified purpose or future period.

Property and Equipment

It is the policy of ELI to capitalize all significant purchases of property and equipment at cost, including expenditures that substantially increase the useful lives of existing assets. Costs of ordinary maintenance and repairs are expensed as incurred.

Management evaluates properties held and used in its programs for impairment. No impairment losses have been recorded based on management’s evaluation.

Property and equipment are depreciated over their estimated useful lives using the straight-line method. ELI’s estimates for the useful lives of its capitalized assets range from three to fifteen years for furniture and equipment, fifteen to thirty years for buildings, land improvements, and leasehold improvements and thirty-one to thirty-three years for lease deposits.

Gifts of property and equipment are recorded as support at their estimated fair value. Such gifts are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose or stipulated how long those long-lived assets must be used. Absent donor stipulations, property and equipment gifts are recorded as support without donor restrictions.

Revenue and Support Recognition

Program service fees for child care are recognized in the period the child care is provided. Revenue funded by grants and contracts is recognized as ELI performs the contracted services or incurs eligible expenses under the grant agreements. Activities and expenses allocated to grants and contracts are subject to audit and acceptance by the awarding agency and, as a result of such audit, adjustments could be required.

Contributions are recognized as support in the period the contribution is received or the promise is made. Conditional promises to give are recognized as support in the period in which the conditions are substantially met.

Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with
donor restrictions. 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 statement of activities as net assets released from restrictions.

In-Kind Contributions

In addition to receiving cash contributions, ELI receives in-kind contributions from various donors. It is the policy of ELI to record the estimated fair value of in-kind donations (other than gifts of property and equipment) as both a contribution and an expense in its financial statements. The donated use of facilities comprises approximately 99% of ELI's in-kind contributions for the years ended December 31, 2018 and 2017.

Functional Allocation of Expenses

The costs of providing the programs and services of ELI have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on time and usage by personnel and programs. Expenses allocated include salaries and benefits, rent, occupancy costs and depreciation. In certain instances, grant budgets specify the expenditures allowed and as these expenses are incurred, they are charged to the grant. Although the method used was appropriate, other methods could produce different results.

Income Taxes

ELI is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code and similar state law.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by ELI and recognize a tax liability if ELI has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by ELI, 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 accompanying financial statements.

ELI is generally exempt from income taxes. However, ELI is required to file Federal Form 990 – Return of Organization Exempt from Income Tax and a corresponding state return, which are informational returns only. ELI has filed its Federal and state informational tax returns for periods through December 31, 2017 and is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.
Recently Issued Accounting Standards

During 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606). The core principle of this new guidance is that “an entity should recognize revenue to depict the transfer of promised 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.” During 2015, the FASB further amended this guidance and issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606), which deferred the effective date for all entities by one year. These new standards, which ELI will be required to adopt in its year ending December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

During 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. ELI will be required to adopt this new standard in its year ending December 31, 2019.

During 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This new standard, which ELI is not required to adopt until its year ending December 31, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity’s statement of financial position.

ELI is presently evaluating the effects these ASUs will have on its future financial statements, including related disclosures.

Subsequent Events

ELI evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 12, 2019, which is the date the financial statements were available to be issued.
EARLY LEARNING INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, ELI adopted the FASB’s ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. ELI has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 12), and disclosures related to the functional allocation of expenses were expanded (Note 2).

The impact of the adoption of ASU No. 2016-14 on ELI’s net assets are as follows:

<table>
<thead>
<tr>
<th>Statement of Financial Position at December 31, 2017:</th>
<th>As Previously Stated</th>
<th>Adjustments</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets</td>
<td>$ 12,429,852</td>
<td>$ (12,429,852)</td>
<td>$ -0-</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>12,546,134</td>
<td>(12,546,134)</td>
<td>-0-</td>
</tr>
<tr>
<td>Permanently restricted net assets</td>
<td>437,367</td>
<td>(437,367)</td>
<td>-0-</td>
</tr>
<tr>
<td>Net assets without donor restrictions</td>
<td>-0-</td>
<td>12,429,852</td>
<td>12,429,852</td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>-0-</td>
<td>12,983,501</td>
<td>12,983,501</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 25,413,353</td>
<td>$ -0-</td>
<td>$ 25,413,353</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement of Activities for the year ended December 31, 2017:</th>
<th>As Previously Stated</th>
<th>Adjustments</th>
<th>As Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unrestricted net assets</td>
<td>$ 192,140</td>
<td>$ (192,140)</td>
<td>$ -0-</td>
</tr>
<tr>
<td>Change in temporarily restricted net assets</td>
<td>(5,582,160)</td>
<td>5,582,160</td>
<td>-0-</td>
</tr>
<tr>
<td>Change in net assets without donor restrictions</td>
<td>-0-</td>
<td>192,140</td>
<td>192,140</td>
</tr>
<tr>
<td>Change in net assets with donor restrictions</td>
<td>-0-</td>
<td>(5,582,160)</td>
<td>(5,582,160)</td>
</tr>
<tr>
<td>Total change in net assets</td>
<td>$ (5,390,020)</td>
<td>$ -0-</td>
<td>$ (5,390,020)</td>
</tr>
</tbody>
</table>

There was no significant impact to the statement of cash flows as a result of adopting this ASU.
4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Way of Central Indiana</td>
<td>$171,371</td>
<td>$204,360</td>
</tr>
<tr>
<td>Corporate, foundation and individual donors</td>
<td>$76,662</td>
<td>$130,232</td>
</tr>
<tr>
<td></td>
<td>248,033</td>
<td>334,592</td>
</tr>
<tr>
<td>Less allowance for uncollectible amounts</td>
<td>(4,666)</td>
<td>(5,467)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$243,367</td>
<td>$329,125</td>
</tr>
</tbody>
</table>

Unconditional contributions receivable are due as follows at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$248,033</td>
<td>$304,592</td>
</tr>
<tr>
<td>One to five years</td>
<td>0</td>
<td>30,000</td>
</tr>
<tr>
<td></td>
<td>248,033</td>
<td>334,592</td>
</tr>
<tr>
<td>Less allowance for uncollectible amounts</td>
<td>(4,666)</td>
<td>(5,467)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$243,367</td>
<td>$329,125</td>
</tr>
</tbody>
</table>

At December 31, 2018, one contribution receivable comprises approximately 39% of the amounts due from corporate, foundation and individual donors. At December 31, 2017, two contributions receivable from separate organizations comprised approximately 58% of the amounts due from corporate, foundation and individual donors, with individual percentages of 12% and 46%.
5. INVESTMENTS

Investments consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash equivalents</td>
<td>$10,806</td>
<td>$1,952,712</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,983,596</td>
<td>4,710,362</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>4,873,552</td>
<td>3,157,713</td>
</tr>
<tr>
<td>Common stock</td>
<td>1,583,227</td>
<td>2,058,160</td>
</tr>
<tr>
<td>Exchange-traded funds</td>
<td>791,493</td>
<td>737,328</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>585,709</td>
<td>630,837</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>308,628</td>
<td>455,052</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>455,971</td>
<td>417,532</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>9,784,954</td>
<td>274,722</td>
</tr>
<tr>
<td>U.S. government agency bonds</td>
<td>150,000</td>
<td>42,228</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>219,527</td>
<td>221,629</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>70,935</td>
<td>64,116</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,818,398</strong></td>
<td><strong>$14,722,391</strong></td>
</tr>
</tbody>
</table>

Investments are reported on the statements of financial position as follows at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$6,799,191</td>
<td>$9,863,537</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>14,019,207</td>
<td>4,858,854</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,818,398</strong></td>
<td><strong>$14,722,391</strong></td>
</tr>
</tbody>
</table>

ELI’s investments are held and managed by two investment management firms. At December 31, 2018 and 2017, 23% and 20%, respectively, of ELI’s investments are held in a single money market mutual fund.

The following schedule summarizes investment return for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$310,568</td>
<td>$244,255</td>
</tr>
<tr>
<td>Realized gains, net</td>
<td>125,524</td>
<td>209,454</td>
</tr>
<tr>
<td>Unrealized gains (losses), net</td>
<td>(587,685)</td>
<td>207,421</td>
</tr>
<tr>
<td>Investment fees</td>
<td>(32,745)</td>
<td>(28,739)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$(184,338)</strong></td>
<td><strong>$632,391</strong></td>
</tr>
</tbody>
</table>
6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$261,544</td>
<td>$261,544</td>
</tr>
<tr>
<td>Land improvements</td>
<td>71,013</td>
<td>71,013</td>
</tr>
<tr>
<td>Lilly Center building</td>
<td>1,720,494</td>
<td>1,683,434</td>
</tr>
<tr>
<td>16th Street building</td>
<td>1,004,842</td>
<td>1,004,842</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>324,670</td>
<td>324,670</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,296,617</td>
<td>1,296,617</td>
</tr>
<tr>
<td>Lease deposits</td>
<td>1,751,809</td>
<td>1,751,809</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>-0-</td>
<td>24,480</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,430,989</td>
<td>6,418,409</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(2,800,735)</td>
<td>(2,495,547)</td>
</tr>
<tr>
<td><strong>Total depreciation</strong></td>
<td><strong>$3,630,254</strong></td>
<td><strong>$3,922,862</strong></td>
</tr>
</tbody>
</table>

ELI has a lease with IU Health (IUH) for the downtown Indianapolis IUH childcare center for annual rent of $1. The lease was renewed for 2019, and can be renewed annually thereafter upon mutual agreement by both parties. Under conditions of the lease, ELI paid for half the cost to construct the center (included in lease deposits above). IUH paid the other half of the construction costs. Upon termination of the lease, ELI will receive half of the fair market value of the building. The net book value of the building was $1,412,749 and $1,469,259 at December 31, 2018 and 2017, respectively.

ELI leased another IUH child care center in Hendricks County that required ELI to fund 100% of the cost of the building. The lease provided annual rent of $1 through May 2018. In December 2017, ELI sold the building to IUH for $2,056,667, which was equivalent to the fair market value of the building at the time of the sale, resulting in a gain on disposal of $197,694. The child care center remained open through the lease expiration date in May 2018.

7. BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

ELI has established designated endowment funds with Central Indiana Community Foundation (CICF) and is the beneficiary of the funds holding those assets. At December 31, 2018, ELI has two designated endowment funds (four endowment funds at December 31, 2017). The fair value of beneficial interests in assets held by others is included in the statements of financial position at $150,727 and $311,041 at December 31, 2018 and 2017, respectively.

The change in the value of the beneficial interests in assets held by others in the statements of activities includes realized and unrealized gains and losses, interest and dividends, and administration and investment fees.
Annual earnings are allocated to each fund by CICF. One of the funds, with a balance of $48,143 and $56,072 at December 31, 2018 and 2017, respectively, is permanently endowed, and only a portion of the fund balance is available for distribution during the succeeding year in accordance with the spending policy adopted by the CICF Board of Directors. At the time of execution of the agreement, the spending policy provided for 5% of the December 31 fund balance as the portion available for distribution, in addition to any unspent distributable amounts from prior years. The remaining funds, with an aggregate balance of $102,584 and $254,969 at December 31, 2018 and 2017, respectively, allow funds to be withdrawn in their entirety so long as ELI continues to comply with any donor restrictions on such funds. One of these funds includes a permanently restricted balance in the amount of $107,465 at December 31, 2018 and 2017. See Note 11 for further discussion of endowment funds with deficiencies.

8. CREDIT FACILITIES

ELI had a $1,500,000 line of credit agreement with a bank, which matured on November 6, 2017. Borrowings bore interest at the London InterBank Offered Rate (LIBOR) plus 1.7%. The line of credit agreement was secured by all business assets of ELI, excluding investments. The agreement subjects ELI to certain restrictive covenants, including limitations on the creation of liens, additional indebtedness, and the making of loans, advances and guarantees, and the maintenance of a prescribed debt service coverage ratio.

On January 17, 2018, ELI entered into a $2,500,000 line of credit agreement with a bank, which matures on October 18, 2019. Borrowings bear interest at LIBOR plus 1.86% (4.31% at December 31, 2018). There were no outstanding borrowings at December 31, 2018. The line of credit agreement is secured by all business assets of ELI, excluding investments. The agreement subjects ELI to certain restrictive covenants, including limitations on the creation of liens, additional indebtedness, and the making of loans, advances and guarantees, and the maintenance of a prescribed debt service coverage ratio.

9. NET ASSETS

Board Designated Net Assets

Board designated net assets are net assets without donor restrictions subject to self-imposed limits determined by action of the Board of Directors. At December 31, 2018 and 2017, the Board of Directors has designated $4,168,872 and $4,672,347, respectively, for long-term investment (quasi-endowment), with the income available to support tuition assistance.
Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at December 31:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building and program support</td>
<td>$6,940,766</td>
<td>$12,034,032</td>
</tr>
<tr>
<td>IT infrastructure</td>
<td>500,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Advocacy</td>
<td>44,011</td>
<td>-0-</td>
</tr>
<tr>
<td>Specific center use</td>
<td>90,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Tuition assistance</td>
<td>3,916</td>
<td>2,807</td>
</tr>
<tr>
<td>Staff training</td>
<td>61,936</td>
<td>34,147</td>
</tr>
<tr>
<td>Other</td>
<td>9,905</td>
<td>120,607</td>
</tr>
<tr>
<td></td>
<td>7,650,534</td>
<td>12,281,593</td>
</tr>
</tbody>
</table>

Time restricted for future periods:

United Way of Central Indiana 171,371 204,360

Endowment

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition assistance</td>
<td>153,333</td>
<td>163,084</td>
</tr>
<tr>
<td>Future operations</td>
<td>9,847,729</td>
<td>334,464</td>
</tr>
<tr>
<td></td>
<td>10,001,062</td>
<td>497,548</td>
</tr>
<tr>
<td></td>
<td>$17,822,967</td>
<td>$12,983,501</td>
</tr>
</tbody>
</table>
Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors related to the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building and program support</td>
<td>$5,243,266</td>
<td>$5,501,741</td>
</tr>
<tr>
<td>Advocacy</td>
<td>30,989</td>
<td>145,066</td>
</tr>
<tr>
<td>Reserve replenishment</td>
<td>-0-</td>
<td>100,000</td>
</tr>
<tr>
<td>Specific center use</td>
<td>13,000</td>
<td>198,963</td>
</tr>
<tr>
<td>Tuition assistance</td>
<td>83,393</td>
<td>115,075</td>
</tr>
<tr>
<td>Child Care Answers</td>
<td>-0-</td>
<td>12,768</td>
</tr>
<tr>
<td>Staff training</td>
<td>169,407</td>
<td>6,636</td>
</tr>
<tr>
<td>Other</td>
<td>126,458</td>
<td>133,839</td>
</tr>
<tr>
<td>Time restrictions expired</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Way of Central Indiana</td>
<td>204,360</td>
<td>195,582</td>
</tr>
<tr>
<td></td>
<td><strong>$ 5,870,873</strong></td>
<td><strong>$ 6,409,670</strong></td>
</tr>
</tbody>
</table>

10. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy are described as follows:

- **Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ELI has the ability to access.

- **Level 2** – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- **Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

- **Money market mutual funds**: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

- **Common stock, exchange traded funds and real estate investment trusts**: Valued at the closing price reported on the active market on which the individual securities are traded.

- **Mutual funds**: Valued at the daily closing price as reported by the fund. Mutual funds held by ELI are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by ELI are deemed to be actively traded.

- **Bonds and notes (corporate, U.S. Treasury, U.S. government agency, and municipal)**: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

- **Beneficial interests in assets held by others**: Valued at fair value as reported by CICF, which represents ELI’s pro rata interest in CICF’s pooled investment funds, substantially all of which are valued on a mark-to-market basis. As described in Note 7, one of ELI’s CICF funds is a permanent endowment fund which limits withdrawals based on an annual draw calculation. This fund is classified as Level 3. The remaining fund (three funds at December 31, 2017) is not subject to these limitations and is able to be withdrawn in its entirety so long as ELI continues to comply with any donor restrictions on such funds. This fund is classified as Level 2 based on ELI’s ability to withdraw the funds at least quarterly without penalty.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ELI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.
The following tables set forth by level, within the hierarchy, ELI’s assets measured at fair value on a recurring basis at December 31:

<table>
<thead>
<tr>
<th>Investments</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market mutual funds</td>
<td>-0-</td>
<td>4,873,552</td>
<td>-0-</td>
<td>4,873,552</td>
</tr>
<tr>
<td>Common stock</td>
<td>1,583,227</td>
<td>-0-</td>
<td>-0-</td>
<td>1,583,227</td>
</tr>
<tr>
<td>Exchange-traded funds</td>
<td>791,493</td>
<td>-0-</td>
<td>-0-</td>
<td>791,493</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>585,709</td>
<td>-0-</td>
<td>-0-</td>
<td>585,709</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>308,628</td>
<td>-0-</td>
<td>-0-</td>
<td>308,628</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-0-</td>
<td>455,971</td>
<td>-0-</td>
<td>455,971</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>-0-</td>
<td>9,784,954</td>
<td>-0-</td>
<td>9,784,954</td>
</tr>
<tr>
<td>U.S. government agency bonds</td>
<td>-0-</td>
<td>150,000</td>
<td>-0-</td>
<td>150,000</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>-0-</td>
<td>219,527</td>
<td>-0-</td>
<td>219,527</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>70,935</td>
<td>-0-</td>
<td>-0-</td>
<td>70,935</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 3,339,992</strong></td>
<td><strong>$ 15,484,004</strong></td>
<td><strong>-0-</strong></td>
<td><strong>18,823,996</strong></td>
</tr>
</tbody>
</table>

| Cash equivalents | 10,806 |
| Certificates of deposit | 1,983,596 |
| **Total** | **$ 20,818,398** |

<table>
<thead>
<tr>
<th>Beneficial interests in assets held by others</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market mutual funds</td>
<td>-0-</td>
<td>102,584</td>
<td>-0-</td>
<td>102,584</td>
</tr>
<tr>
<td>Common stock</td>
<td>10,806</td>
<td>-0-</td>
<td>-0-</td>
<td>10,806</td>
</tr>
<tr>
<td>Exchange-traded funds</td>
<td>-0-</td>
<td>417,532</td>
<td>-0-</td>
<td>417,532</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>-0-</td>
<td>274,722</td>
<td>-0-</td>
<td>274,722</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>-0-</td>
<td>42,228</td>
<td>-0-</td>
<td>42,228</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-0-</td>
<td>221,629</td>
<td>-0-</td>
<td>221,629</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>-0-</td>
<td>64,116</td>
<td>-0-</td>
<td>64,116</td>
</tr>
<tr>
<td>U.S. government agency bonds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 3,945,493</strong></td>
<td><strong>$ 4,113,824</strong></td>
<td><strong>-0-</strong></td>
<td><strong>8,059,317</strong></td>
</tr>
</tbody>
</table>

| Cash equivalents | 1,952,712 |
| Certificates of deposit | 4,710,362 |
| **Total** | **$ 14,722,391** |

<table>
<thead>
<tr>
<th>Beneficial interests in assets held by others</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market mutual funds</td>
<td>-0-</td>
<td>254,969</td>
<td>-0-</td>
<td>254,969</td>
</tr>
<tr>
<td>Common stock</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Exchange-traded funds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>U.S. government agency bonds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 311,041</strong></td>
<td><strong>$ 56,072</strong></td>
<td><strong>-0-</strong></td>
<td><strong>367,113</strong></td>
</tr>
</tbody>
</table>

ELI’s policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels at December 31, 2018 and 2017.
The change in financial assets with significant unobservable (Level 3) inputs is as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$ 56,072</td>
<td>$ 52,000</td>
</tr>
<tr>
<td>Change in fair value of fund</td>
<td>(1,306)</td>
<td>6,921</td>
</tr>
<tr>
<td>Grant and program expenses</td>
<td>(6,061)</td>
<td>(2,087)</td>
</tr>
<tr>
<td>Fees</td>
<td>(562)</td>
<td>(762)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 48,143</strong></td>
<td><strong>$ 56,072</strong></td>
</tr>
</tbody>
</table>

ELI’s investments and beneficial interests in assets held by others are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

11. ENDOWMENT

ELI’s endowment consists of funds held by CICF (Note 7), and investment accounts (Note 5) established to provide support for tuition assistance and future operations. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

ELI is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. A portion of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of ELI has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, ELI considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

ELI has interpreted SPMIFA as allowing spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with SPMIFA, ELI
considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of ELI and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of ELI
(7) The investment policies of ELI

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that a donor or SPMIFA requires ELI to retain as a fund of perpetual duration. A deficiency of this nature exists in one designated endowment fund with CICF, which has an original gift of value of $107,465, a current fair value of $102,584, and a deficiency of $4,881 as of December 31, 2018, reported in net assets with donor restrictions. This deficiency resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies at December 31, 2017.

Return Objectives and Risk Parameters

ELI has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to operations and programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

The funds held by CICF (beneficial interests in assets held by others) are invested according to CICF’s pooled investment fund strategies. ELI’s endowment investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowment investments and which allows spending under the terms of each endowment fund.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, ELI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Both ELI and CICF target a diversified asset allocation that places an emphasis on long-term growth and a reasonable return within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

CICF has a policy that ELI can disburse from its permanent endowment fund (Note 7) up to 5% of the endowment’s previous year fund balance for ELI expenditures. For its own investments and for the remaining endowment funds at CICF, ELI’s goal is to be able to disburse between 4% and 5% of the portfolio’s current value annually, except for those donor restricted endowment
funds held to support future operations (Note 9), which shall be spent at 2% annually, or any percentage as is consistent with prudent spending policies for donor restricted endowments if the fund balance is greater than the original gift amount. This is consistent with ELI’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

The composition of endowment net assets is as follows at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018 Without Donor Restrictions</th>
<th>2018 With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board designated endowment funds</td>
<td>$4,168,872</td>
<td>$</td>
<td>$4,168,872</td>
</tr>
<tr>
<td>Donor restricted endowment funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor</td>
<td>-0-</td>
<td>9,937,367</td>
<td>9,937,367</td>
</tr>
<tr>
<td>Accumulated investment gains</td>
<td>-0-</td>
<td>63,695</td>
<td>63,695</td>
</tr>
<tr>
<td></td>
<td>$4,168,872</td>
<td>$10,001,062</td>
<td>$14,169,934</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017 Without Donor Restrictions</th>
<th>2017 With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board designated endowment funds</td>
<td>$4,672,347</td>
<td>$</td>
<td>$4,672,347</td>
</tr>
<tr>
<td>Donor restricted endowment funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor</td>
<td>-0-</td>
<td>437,367</td>
<td>437,367</td>
</tr>
<tr>
<td>Accumulated investment gains</td>
<td>-0-</td>
<td>60,181</td>
<td>60,181</td>
</tr>
<tr>
<td></td>
<td>$4,672,347</td>
<td>$497,548</td>
<td>$5,169,895</td>
</tr>
</tbody>
</table>
The change in endowment net assets is as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018 Without Donor Restrictions</th>
<th>2018 With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$4,672,347</td>
<td>$497,548</td>
<td>$5,169,895</td>
</tr>
<tr>
<td>Contributions</td>
<td>-0-</td>
<td>9,500,000</td>
<td>9,500,000</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>(319,856)</td>
<td>13,263</td>
<td>(306,593)</td>
</tr>
<tr>
<td>Change in value of beneficial interests in assets held by others</td>
<td>(4,805)</td>
<td>-0-</td>
<td>(4,805)</td>
</tr>
<tr>
<td>Distributions</td>
<td>(178,814)</td>
<td>(9,749)</td>
<td>(188,563)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$4,168,872</td>
<td>$10,001,062</td>
<td>$14,169,934</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017 Without Donor Restrictions</th>
<th>2017 With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$4,109,459</td>
<td>$459,254</td>
<td>$4,568,713</td>
</tr>
<tr>
<td>Contributions</td>
<td>247,099</td>
<td>-0-</td>
<td>247,099</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>459,747</td>
<td>28,544</td>
<td>488,291</td>
</tr>
<tr>
<td>Change in value of beneficial interests in assets held by others</td>
<td>28,067</td>
<td>17,260</td>
<td>45,327</td>
</tr>
<tr>
<td>Distributions</td>
<td>(172,025)</td>
<td>(7,510)</td>
<td>(179,535)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$4,672,347</td>
<td>$497,548</td>
<td>$5,169,895</td>
</tr>
</tbody>
</table>
EARLY LEARNING INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects ELI's financial assets as of December 31, 2018 that are available to meet general expenditures within one year of the statement of financial position date; that is, amounts that are without donor restrictions or board designations limiting their use.

<table>
<thead>
<tr>
<th>Financial assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 1,100,812</td>
</tr>
<tr>
<td>Investments</td>
<td>6,799,191</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,073,218</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>243,367</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>14,019,207</td>
</tr>
<tr>
<td>Beneficial interests in assets held by others</td>
<td>150,727</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>23,386,522</td>
</tr>
</tbody>
</table>

Net assets with donor restrictions

| Purpose restricted                       | (7,650,534)  |
| Endowment                               | (10,001,062) |
| Board designated fund net assets - endowment | (4,168,872)  |
| Total financial assets available in one year | (21,820,468) |

Liquidity resources

| Bank line of credit ($-0- in use as of December 31, 2018) | 2,500,000 |

Financial assets available to meet cash needs

| for general expenditures within one year | $ 4,066,054 |

Endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors to function as endowments. Income from donor-restricted endowments is restricted for tuition assistance and future operations (Note 9). The board designated endowment is designated by the Board of Directors to provide income to support tuition assistance. Although ELI does not intend to spend the board designated endowment to meet general expenditures, the amounts could be made available, if necessary.

As part of ELI's liquidity management plan, amounts remain in investments until they are required to be transferred to ELI's operating bank account to meet operating expenses.

It is the Board of Directors’ objective to accumulate an operating reserve totaling 60-90 days of cash-basis expenses (excluding depreciation, in-kind expenses, fully funded grant expenditures and pass-through amounts) based on the upcoming year’s budget, which includes cash on hand as well as any available line of credit balances.
As more fully described in Note 8, ELI maintains a line of credit of $2,500,000 with a bank available to be drawn upon as needed during the year. At December 31, 2018, ELI has no outstanding borrowings and the full amount is available for general expenditure liquidity need.

13. RETIREMENT PLAN

ELI offers a 401(k) retirement plan covering substantially all employees who fulfill the eligibility requirements. ELI matches 100% of the employee’s contribution up to 5% of the employee’s total salary and may also make discretionary contributions to the plan. Employer matching contributions are fully vested at the time of the contribution, while employer discretionary contributions are subject to the vesting schedule. ELI’s contribution expense to the plan for the years ended December 31, 2018 and 2017 was $244,963 and $213,534, respectively.

14. LEASES

No rent is charged to ELI for six of the seven childcare centers it manages but does not own. For these six centers, ELI has recorded a contribution and corresponding expense for the donated rent. For a seventh facility, ELI has a 16-year lease agreement that calls for escalating monthly payments. Rent expense on this lease is recorded on a straight-line basis, resulting in a rent accrual (included in accrued expenses) of $100,166 and $107,231 at December 31, 2018 and 2017, respectively. This lease expires in July 2025.

ELI leases various equipment under the terms of non-cancelable operating leases with expiration dates through 2021.

During 2016, ELI entered into a lease agreement for its primary office space with a term commencing December 1, 2016 and expiring November 30, 2021. The agreement requires monthly installments of base rent, plus a pro-rata share of certain common costs for property maintenance. Under this agreement, ELI also has the right to reduce the square footage and corresponding base rent, with the payment of a downsizing fee, given they provide 120 days' written notice, should its contract with a certain funding source terminate. The lease provides ELI one five year renewal option. Other office space is leased under annually renewable leases.

Rent expense, excluding in-kind rent, was $494,817 and $495,969 for the years ended December 31, 2018 and 2017, respectively.
Future minimum lease payments under the terms of non-cancelable operating leases at December 31, 2018 are summarized below:

<table>
<thead>
<tr>
<th>Year Ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 488,173</td>
</tr>
<tr>
<td>2020</td>
<td>481,077</td>
</tr>
<tr>
<td>2021</td>
<td>441,266</td>
</tr>
<tr>
<td>2022</td>
<td>108,180</td>
</tr>
<tr>
<td>2023</td>
<td>110,340</td>
</tr>
<tr>
<td>Thereafter</td>
<td>178,860</td>
</tr>
<tr>
<td></td>
<td>$ 1,807,896</td>
</tr>
</tbody>
</table>

15. RELATED PARTY TRANSACTIONS

The Day Nursery Auxiliary (Auxiliary) is an organization engaged in various fundraising activities which has contributed property and funds as well as providing volunteer services for center activities to ELI. The Auxiliary contributed $30,300 and $35,675 to ELI in 2018 and 2017, respectively. The Auxiliary and ELI Boards of Directors share some common members, but none has a majority control.

16. CONCENTRATIONS

Concentration of Credit Risk

ELI maintains its cash (and cash equivalents included in investments) in bank deposit accounts, which regularly exceed federally insured limits. ELI has not experienced any losses in such accounts.

Funding Concentration

ELI is funded by grants and contracts awarded directly and indirectly by Federal and state governments. The majority of the agreements contain provisions that permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate adequate funds to maintain the current funding levels.

During 2018, ELI received $10,150,000 of its direct public support – grants from one organization.