BLOOM EARLY LEARNING

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

LA FAYETTE, MELSSEN & PLATH, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Bloom Early Learning
17805 County Road 6
Minneapolis, MN 55447

We have audited the accompanying financial statements of Bloom Early Learning (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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 Bloom Early Learning as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 12, 2017. In our opinion, the summarized comparative information presented herein as and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Certified Public Accountants
February 12, 2018

BLOOM EARLY LEARNING

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017	2016
ASSETS		
Current Assets		
Cash	$ 313,213	$ 175,584
Accounts receivable, net	25,189	29,122
Contributions receivable	117,573	20,754
Prepaid expenses	8,839	8,720
State grant receivable	4,113	4,266
Total Current Assets	468,927	238,446
Equipment, Improvements and Intangible Assets		
Facility improvements	75,536	75,536
Program equipment	29,020	29,020
Rebranding	13,500	13,500
Web-site	7,000	7,000
Less accumulated depreciation	(53,358)	(46,612)
Total Equipment and Improvements	71,698	78,444
TOTAL ASSETS	$ 540,625	$ 316,890
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	$ 24,747	$ 24,578
Accounts payable	7,946	2,122
Total Current Liabilities	32,693	26,700
Net Assets		
Unrestricted	279,372	235,652
Temporarily restricted	228,560	54,538
Total Net Assets	507,932	290,190
TOTAL LIABILITIES AND NET ASSETS	$ 540,625	$ 316,890

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Support				
Contributions	$ 42,378	$ 370,198	$ 412,576	$ 205,207
In-kind	13,561	-	13,561	-
State grant	16,075	-	16,075	17,419
Total Support	72,014	370,198	442,212	222,626
Revenue				
Tuition	905,303	-	905,303	819,234
Food program	28,101		28,101	27,811
Annual gala ticket sales	8,640	-	8,640	10,450
Registration fees	660		660	640
Interest	131	-	131	131
Other	20	-	20	4
Net assets released from restrictions	196,176	(196,176)	-	
Total Revenue	1,139,031	(196,176)	942,855	858,270
Total Support and Revenue	1,211,045	174,022	1,385,067	1,080,896
Expenses				
Program	988,084	-	988,084	922,011
Costs of direct benefit to donors	9,779		9,779	10,466
Management and general	97,242		97,242	79,895
Fundraising	72,220	-	72,220	64,693
Total Expenses	1,167,325	-	1,167,325	1,077,065
Increase in net assets	43,720	174,022	217,742	3,831
Net Assets, beginning of year	235,652	54,538	290,190	286,359
Net Assets, end of year	$ 279,372	$ 228,560	$ 507,932	$ 290,190

BLOOM EARLY LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017					
Expenses	Program	Costs of direct benefits to donors	Management and general	Fundraising	Total	2016
Salaries and wages	497,514 $	- $	47,896 $	50,011 $	595,421 $	586,251
Scholarship	195,876	-	-	-	195,876	171,256
Benefits	107,688	-	5,774	6,029	119,491	104,681
Program	79,186	-	-	-	79,186	73,498
Payroll taxes	44,421	-	2,382	2,487	49,290	47,546
Facility	36,952	-	2,502	70	39,524	40,827
Professional fees	-	-	32,405	-	32,405	5,600
Office and administrative	11,067	-	5,820	4,172	21,059	13,465
Special events	-	9,779	-	8,968	18,747	15,594
Insurance	8,634	-	463	483	9,580	9,425
Depreciation	6,746	-	-	-	6,746	8,922
Total	988,084 $	9,779 $	97,242 $	72,220 $	1,167,325 $	1,077,065
Percentage	85%	1%	8%	6%	100%	

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 217,742	$ 3,831
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,746	8,922
Allowance for doubtful accounts	2,163	(1,396)
Receivables	(94,896)	(14,695)
Prepaid expenses	(119)	4,042
Client deposits	-	1,775
Accounts payable	5,824	(200)
Accrued expenses	169	5,849
Net cash provided by operating activities	137,629	8,128
Increase in cash	137,629	8,128
Cash, beginning of year	175,584	167,456
Cash, end of year	$ 313,213	$ 175,584

NATURE OF ACTIVITIES

Bloom passionately strives to break the cycle of poverty at the start through nurturing care and an exceptional early learning program. We prepare young children for success in school and enable their parents to pursue educational and employment opportunities. The Organization is located at Messiah United Methodist Church in Plymouth, Minnesota. Programs are designed to provide age-appropriate activities that emphasize individual development for children from 6-weeks to 5 years of age. The Organization began serving the community on July 1, 2000.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2017.

Income Taxes

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Management has evaluated for uncertain tax positions and has determined there are no uncertain tax positions as of December 31, 2017. Tax returns for the past three years remain open for examination by tax jurisdictions.

Advertising

The Organization expenses advertising as incurred.

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 reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Such estimates include functional expense allocation, collectability of receivables, and estimated useful life of capitalized assets.

Contributions Receivable

Contributions receivable represent unconditional commitments from foundations, corporations, and individuals. The Organization periodically reviews individual accounts, and as of December 31, 2017, no allowance for uncollectible accounts was considered necessary for contributions receivable.

Accounts Receivable and Valuation Allowance

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectable amounts through a charge to activities and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tuition fee receivables. Management recorded an estimated allowance for uncollectible accounts of $2,163 as of December 31, 2017.

State Grant Receivable

State grant receivable represent amounts due from the Minnesota Department of Education - Pathways II Early Learning Scholarships for tuition fees provided under the terms of the agreement. Management has determined that the receivable is fully collectable; therefore no allowance for uncollectible accounts is considered necessary as of December 31, 2017.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited.

Equipment, Improvements and Intangible Assets

Equipment, improvements and intangible assets are capitalized at cost or, if contributed, at fair market value on the date received. Depreciation is computed using the straight-line basis over the estimated useful life of the assets as follows:

• Facility improvements	5 - 15 years
• Program equipment	5 - 7 years

When equipment, improvements and intangible assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. Any resulting gain or loss on disposal is recognized as income or expense at the time of retirement or disposal. Maintenance and repair expenditures are expensed as incurred.

Currently, the Organization does not have a written fixed asset capitalization policy. However, management has traditionally recorded all fixed asset purchases for which it was estimated that the life of the item was greater than one year on the balance sheet for an individual item (or group of similar items) of $1,500 or more.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues and Expenses

Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Donations are measured at their fair value and reported as increases in net assets.

In-Kind

The Organization receives gifts in-kind, including professional legal and marketing services. In-kind revenue is recognized when the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with accounting principles generally accepted in the United States of America. Gifts in-kind received through donations are valued and recorded as revenue at their fair value at the time the contribution is received.

In-Kind - Continued

Donated services are recognized at fair value if the services meet the recognition criteria prescribed by generally accepted accounting principles which include a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. In addition, many individuals volunteer their time (for example, governance members, annual gala staff) and perform a variety of tasks that assist Bloom to fulfill its purpose. The Organization received the support of approximately 90 volunteers for the year ended December 31, 2017. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements were available to be issued.

The Organization has performed an evaluation of subsequent events through February 12, 2018, which is the date the financial statements were available to be issued.

LEASE OBLIGATION AND RELATED PARTIES

The Organization rents facility space from Messiah United Methodist Church (The Church). The lease term is effective January 1, 2016 through December 31, 2020. The lease calls for monthly rent payments of $2,000.

Total rent expense incurred by the Organization for 2017 was $24,000.

The following discloses the future minimum lease payments:

2018	$ 24,000
2019	24,000
2020	24,000
Total	$ 72,000

LEASE OBLIGATION AND RELATED PARTIES - Continued

The organization also uses several pieces of The Church's office equipment (which Bloom does not own) throughout the year. The two entities have set-up a system in which usage can be tracked by user. The Church, from time-to-time, invoices the Organization for its use of the equipment, based on pre-established rates. Further, The Church donates back to the Organization the rent paid, which amounted to $24,000 as of December 31, 2017.

Several board members of the Organization donated a combined total of approximately $29,285 as of December 31, 2017 to support the mission of the Organization, mainly to fund scholarships to families in need.

BUSINESS CONCENTRATIONS

Substantially all of the Organization's revenue is derived from providing child care. Further, all of the Organization's clients are located near the location of the Organization. In addition, the Organization relies on local government childcare subsidies for certain families to reimburse the Organization for operating costs.

PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2016. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2016, from which the summarized information was derived.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Temporarily restricted net assets are available for use after December 31, 2017 for the following program:

Scholarships	$ 125,560
Capital Campaign	103,000
	$ 228,560

CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

SCHOLARSHIP PARTNERS

Years ago, the board of Bloom Early Learning along with the Wayzata School District and Interfaith Outreach & Community Partners (IOCP) established a joint initiative called Caring for Kids (CFK). CFK was formed to expand the availability of scholarships to low-income families and to make available high quality (nationally accredited) early childhood programs within the Wayzata School District. In 2011, CFK became an official program of IOCP, a 501(c)(3) non-profit organization. Bloom's Executive Director and a Board member serve on the CFKI executive committee.

When CFK became a funded program under IOCP, the original three partners expanded CFK's services to include case management and family resources from IOCP, parenting education and support, plus early childhood special education services from the Wayzata School District. Early childhood care and education services as well as a demonstration site and coordination of the Quality Providers Network of accredited programs are also provided.

CFK raises scholarship funds from foundations through grant applications prepared by IOCP staff as well as through fundraising events and other activities. Families who need scholarships apply to a case worker at CFKI, who assesses eligibility and provides information about the child care facilities within the network. Parents then visit and choose the program for their child. Bloom Early Learning is one of the choices. If Bloom Early Learning is chosen, CFKI has guaranteed to fund all or a portion of the cost of such services. The child must attend and continue to qualify for the services. Based on the conditions of the guaranteed funding, no scholarship receivable from CFK is required. The Organization also alerts CFK when Organization scholarships are available to new children and families.

EMPLOYEE BENEFITS

The Organization offers employees who work 24 hours per week or more and have met any required eligibility period, health insurance coverage, where the Organization will pay 90% of the premium and the employee pays 10%. Dental insurance coverage is also offered where the employee is responsible for 100% of the premium. In addition, the Organization offers its employees a 50% to 75% discount on standard tuition rates for their eligible children to attend the Organization's program. The amount of the discount is generally based on employee classification levels.

GRANT

The Organization has a fee for service contract with the Minnesota Department of Education - Pathways II Early Learning Scholarships where the award is based on a school year period July 1 through June 30. Under the award, the Organization selects eligible families, generally based on federal family income guidelines. The total award received from the 2017-2018 award period amounted to $15,000, of which $7,506 remains available through June 30, 2018.

FUTURE EXPANSION

In 2015, the Bloom Board of Directors adopted a 5-year strategic plan that envisioned serving 150 children and their families by the year 2020. The first step was to build out a fourth classroom in the Messiah Church space, bringing our capacity from 52 to 70 children. The Bloom Board of Directors also created a Strategic Planning Committee to outline the steps needed to attain the goal of serving 150 children. One component of the Strategic Planning Committee's work is to evaluate the feasibility and requirements of expanding Bloom's services to one or more sites in addition to the Messiah Church site. In February 2017, the Bloom Board of Directors authorized spending of up to $20,000 for a feasibility study to evaluate the short-term and long-term funding potential from donors to support an additional site(s).

The capital campaign feasibility study results indicated that we could expect to raise the funds necessary to create a second Bloom location at Plymouth Presbyterian Church. Based on the results, the Board of Directors voted in December 2017 to move forward with the capital campaign and expansion plans. The preliminary timeline is to complete the capital campaign fundraising by December 2018, begin to hire staff and renovate the building, and open our doors in May 2019. We expect to serve an additional 46 children and their families in the new location, bringing the total capacity of both centers to 116.