

BLOOM EARLY LEARNING
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

LA FAYETTE, MELSEN & PLATH, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

LA FAYETTE MELSSSEN & PLATH, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2015, and the related statements of activities, functional expense 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 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.

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, 2015, 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.

Lu Fayette, Melson & Plath, LLP

Certified Public Accountants

January 22, 2016

BLOOM EARLY LEARNING
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash	\$	167,456
Contributions receivable		25,144
State grant receivable		4,000
Accounts receivable, net		10,907
Prepaid expenses		<u>12,762</u>

Total Current Assets		<u>220,269</u>
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Equipment, Improvements and Intangible Assets

Program equipment		29,020
Facility improvements		75,536
Rebranding		13,500
Web-site		7,000
Less accumulated depreciation		<u>(37,690)</u>

Total Equipment and Improvements		<u>87,366</u>
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Other Asset

Security deposit		<u>2,000</u>
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TOTAL ASSETS	\$	<u><u>309,635</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses	\$	18,729
Client deposits		200
Accounts payable		<u>347</u>

Total Current Liabilities		<u>19,276</u>
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Net Assets

Unrestricted		246,950
Temporarily restricted		<u>43,409</u>

Total Net Assets		<u>290,359</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>309,635</u></u>
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See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Support			
Contributions	\$ 31,407	\$ 127,292	\$ 158,699
State grant	14,020	-	14,020
	<u>45,427</u>	<u>127,292</u>	<u>172,719</u>
Total Support			
Revenue			
Tuition	655,419	-	655,419
Food program	20,611	-	20,611
Annual gala ticket sales, net of direct benefit to donor	(50)	-	(50)
Registration fees	720	-	720
Other	400	-	400
Net assets released from restrictions	112,075	(112,075)	-
	<u>789,175</u>	<u>(112,075)</u>	<u>677,100</u>
Total Revenue			
Total Support and Revenue	<u>834,602</u>	<u>15,217</u>	<u>849,819</u>
Expenses			
Program	750,703	-	750,703
Management and general	80,561	-	80,561
Fundraising	35,722	-	35,722
	<u>866,986</u>	<u>-</u>	<u>866,986</u>
Total Expenses			
(Decrease) in net assets	(32,384)	15,217	(17,167)
Net Assets, beginning of year	<u>279,334</u>	<u>28,192</u>	<u>307,526</u>
Net Assets, end of year	<u>\$ 246,950</u>	<u>\$ 43,409</u>	<u>\$ 290,359</u>

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

Expenses	Program	Management and general	Fundraising	Total
Salaries	\$ 414,684	\$ 51,606	\$ 25,419	\$ 491,709
Scholarships	125,149	-	-	125,149
Benefits and Insurance	80,241	6,587	2,395	89,223
Payroll Taxes	32,606	4,220	1,534	38,360
Food Program	34,877	-	-	34,877
Facility	25,814	2,925	71	28,810
Supplies	12,848	3,934	-	16,782
Administrative	7,855	5,806	157	13,818
Development	-	-	6,146	6,146
Depreciation Expense	9,034	475	-	9,509
Professional Fees	-	5,008	-	5,008
Field Trips	4,255	-	-	4,255
Licenses and Permits	3,340	-	-	3,340
	<u>\$ 750,703</u>	<u>\$ 80,561</u>	<u>\$ 35,722</u>	<u>\$ 866,986</u>
	<u>87%</u>	<u>9%</u>	<u>4%</u>	<u>100%</u>

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities	
Change in net assets	\$ (17,167)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	9,509
Allowance for doubtful accounts	(104)
Receivables	(2,577)
Prepaid expenses	216
Client deposits	(500)
Accounts payable	35
Accrued expenses	<u>14,247</u>
Net cash provided by operating activities	<u>3,659</u>
Cash flows from investing activities	
Purchase of equipment and improvements	<u>(58,996)</u>
Net cash (used in) investing activities	<u>(58,996)</u>
(Decrease) in cash	(55,337)
Cash, beginning of year	<u>222,793</u>
Cash, end of year	<u><u>\$ 167,456</u></u>

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015.

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, 2015. Tax returns for the past three years remain open for examination by tax jurisdictions.

Advertising

The Organization expenses advertising as incurred.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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 and estimated useful life of capitalized assets.

Contributions Receivable

Contributions receivable represent unconditional commitments from foundations, corporations, and individuals due in 2016. The Organization periodically reviews individual accounts, and as of December 31, 2015, no allowance for uncollectible accounts was considered necessary.

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. As of December 31, 2015, management has estimated an allowance for doubtful accounts at \$1,396.

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, 2015.

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.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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.

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.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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 January 22, 2016, which is the date the financial statements were available to be issued.

In-Kind Contributions

Donated goods, equipment, services, and facilities are recorded at fair value at the date of donation. Donated services are recorded when there is an objective basis to measure the value of such services and the service involves specialized skills that would be purchased, if not provided by donation.

LEASE OBLIGATION AND RELATED PARTIES

The Organization has rented space since its inception of operations from Messiah United Methodist Church (The Church). The Church originally created the Organization as a mission and has remained a strong supporter. In May of 2013, the Organization entered in to a 5 year lease with The Church, which was set to expire April 30, 2018. In December 2015, the lease was modified to reflect the Organization's new name and adjust for some use of space modifications and terms of such use. The revised lease term was adjusted for a new 5 year term, beginning January 1, 2016 through December 31, 2020. The lease calls for monthly rent payments of \$2,000. Although not specified under the current lease, several years ago, the Organization had paid a \$2,000 security deposit, which is still recorded on the books of the Organization.

BLOOM EARLY LEARNING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

LEASE OBLIGATION AND RELATED PARTIES - CONTINUED

Total rent expense incurred by the Organization for 2015 was \$24,000.

The following discloses the future minimum lease payments:

2016	\$ 24,000
2017	24,000
2018	24,000
2019	24,000
2020	<u>24,000</u>
Total	\$ <u>120,000</u>

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.

Several board members of the Organization donated a combined total of approximately \$18,000 as of December 31, 2015 to support the mission of the Organization, mainly to fund scholarships to families in need.

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.

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, 2015 for the following program:

Scholarships	\$ <u>43,409</u>
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BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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.

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 Initiative (CFKI). CFKI 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, CFKI became an official program of IOCP, a 501(c)(3) non-profit organization. The board chair of Bloom Early Learning is a member of the executive committee of CFKI.

When CFKI became a funded program under IOCP, the original three partners expanded CFKI'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.

CFKI 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 CFKI is required.

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 all 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.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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 2015-2016 award period amounted to \$15,000, of which \$11,000 remains available through June 30, 2016.