

BLOOM EARLY LEARNING  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

# LA FAYETTE, MELSEN & PLATH, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To Board of Directors and Management 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, 2019, 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 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, 2019, 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 Bloom Early Learning's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*LaFayette, Melssen & Plath, Ltd.*

Richfield, MN  
February 29, 2020

BLOOM EARLY LEARNING  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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BLOOM EARLY LEARNING  
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 294,903	\$ 565,061
Program receivables, net	74,173	31,845
Promises to give, net	106,654	155,651
Prepaid expenses	7,881	7,790
State grant receivable	5,732	2,284
Total Current Assets	<u>489,343</u>	<u>762,631</u>
Other Assets		
Endowment - cash	46,345	23,345
Promises to give, net	-	48,285
Total Other Assets	<u>46,345</u>	<u>71,630</u>
Equipment, Improvements and Intangible Assets		
Facility improvements	273,951	79,991
Program equipment	80,809	30,681
Less accumulated depreciation	<u>(82,028)</u>	<u>(59,049)</u>
Total Equipment and Improvements	<u>272,732</u>	<u>51,623</u>
TOTAL ASSETS	<u>\$ 808,420</u>	<u>\$ 885,884</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 41,936	\$ 29,821
Accounts payable	4,925	6,793
Total Current Liabilities	<u>46,861</u>	<u>36,614</u>
Net Assets		
Without donor restrictions:		
Undesignated	<u>629,816</u>	<u>257,585</u>
With donor restrictions:		
Perpetual in nature	46,345	23,345
Purpose restrictions	85,398	568,340
Total Net Assets	<u>131,743</u>	<u>591,685</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 808,420</u>	<u>\$ 885,884</u>

See Accompanying Notes to Financial Statements.

## BLOOM EARLY LEARNING

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Support				
Contributions	\$ 210,880	\$ 194,113	\$ 404,993	\$ 646,293
In-kind	33,084	-	33,084	46,866
State grant	-	15,902	15,902	14,398
Total Support	<u>243,964</u>	<u>210,015</u>	<u>453,979</u>	<u>707,557</u>
Revenue				
Program service fees				
Tuition	1,132,589	-	1,132,589	917,092
Food program	36,490	-	36,490	29,227
Registration fees and other	2,754	-	2,754	626
Fundraising ticket sales	17,510	-	17,510	10,725
Interest	1,205	-	1,205	1,463
Net assets released from restrictions:				
Capital campaign	427,701	(427,701)	-	-
Scholarship	242,256	(242,256)	-	-
Total Revenue	<u>1,860,505</u>	<u>(669,957)</u>	<u>1,190,548</u>	<u>959,133</u>
Total Support and Revenue	<u>2,104,469</u>	<u>(459,942)</u>	<u>1,644,527</u>	<u>1,666,690</u>
Expenses				
Program	1,520,767	-	1,520,767	1,037,237
Costs of direct benefit to donors	18,348	-	18,348	10,392
Management and general	115,460	-	115,460	145,744
Fundraising	77,663	-	77,663	131,979
Total Expenses	<u>1,732,238</u>	<u>-</u>	<u>1,732,238</u>	<u>1,325,352</u>
(Decrease) increase in net assets	372,231	(459,942)	(87,711)	341,338
Net Assets, beginning of year	<u>257,585</u>	<u>591,685</u>	<u>849,270</u>	<u>507,932</u>
Net Assets, end of year	<u>\$ 629,816</u>	<u>\$ 131,743</u>	<u>\$ 761,559</u>	<u>\$ 849,270</u>

See Accompanying Notes to Financial Statements.



BLOOM EARLY LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

(with summarized financial information for the year ended December 31, 2018)

Expenses	2019				2018
	Program	Costs of direct benefits to donors	Management and general	Fundraising	Total
Salaries and wages	\$ 769,568	\$ -	\$ 63,850	\$ 37,449	\$ 870,867
Payroll taxes	61,884	-	4,923	3,516	70,323
Benefits	116,547	-	19,062	4,738	140,347
Scholarship	324,245	-	-	-	324,245
Program	120,890	-	318	970	122,178
Facility	70,226	-	1,191	262	71,679
Professional fees	5,500	-	6,346	8,480	20,326
Office and administrative	29,204	-	8,295	9,462	46,961
Special events	-	18,348	-	12,648	30,996
Insurance	-	-	11,337	-	11,337
Depreciation	22,703	-	138	138	22,979
Total	\$ 1,520,767	\$ 18,348	\$ 115,460	\$ 77,663	\$ 1,732,238
					\$ 1,325,352

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (87,711)	\$ 341,338
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	22,979	5,691
Allowance for doubtful accounts	(3,500)	14,238
Receivables	55,006	(105,428)
Donated equity securities	(3,106)	(60,382)
Prepaid expenses	(91)	1,049
Accounts payable	(1,868)	(1,153)
Write-off intangible assets	-	20,500
Cash for perpetual endowment	(23,000)	(23,345)
Accrued expenses	12,115	5,074
Net cash (used in) provided by operating activities	<u>(29,176)</u>	<u>197,582</u>
Cash flows from investing activities		
(Addition to) cash to perpetual endowment	(23,000)	(23,345)
Sale of donated equity securities	3,106	60,382
Purchase of capitalizable assets	(244,088)	(6,116)
Net cash (used in) provided by investing activities	<u>(263,982)</u>	<u>30,921</u>
Cash flows from financing activities		
Contributions for perpetual endowment	23,000	23,345
Net cash provided by financing activities	<u>23,000</u>	<u>23,345</u>
(Decrease) increase in cash	(270,158)	251,848
Cash, beginning of year	<u>565,061</u>	<u>313,213</u>
Cash, end of year	<u>\$ 294,903</u>	<u>\$ 565,061</u>

See Accompanying Notes to Financial Statements.



BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

*Nature of Operations*

Bloom Early Learning (the Organization) 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 two sites 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.

The Organization's main source of revenue comes from fees generated by its early learning program. Additional support comes from individual/corporate contributions and government agency/private foundation grants.

*Basis of Accounting*

The financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Comparative Information*

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2018. 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, 2018, from which the summarized information was derived.

*Promises to Give*

Promises to give represent unconditional commitments from foundations, corporations, and individuals. The Organization periodically reviews individual accounts, and as of December 31, 2019, Management recorded an estimated allowance for uncollectible accounts of \$6,500.

*State Grant Receivables*

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, 2019.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

*Program Receivables and Valuation Allowance*

Program receivables 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 \$6,400 as of December 31, 2019.

*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 and does not believe it is exposed to any significant custodial credit risk related to these accounts. As part of the Organization's liquidity management plan, it invests cash in excess of \$250,000 into an Insured Cash Sweep (ICS) account. Credit risk associated with promises to give is considered to be limited due to the high historical collection rates and because substantial portions of the outstanding promises to give amounts are due from Board members, agencies and foundations, and individuals supportive of our mission.

*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 3 - 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. The Organization's policy is to capitalize assets with a cost greater than \$1,500. Depreciation expense was \$22,979 for the year ended December 31, 2019.

*Compensated Absences*

Employees who work 24 hours or more per week begin accruing paid time off after 90 days probation period after hire. The hours accrued are on a scale based on hours per week with a maximum of 40 hours that can be carried over to the subsequent year.



BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

*Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Revenue and Revenue Recognition*

The Organization recognizes revenue from early learning tuition and fees as the services are provided. Goods and services provided in connection with early learning tuition and fees are recognized over the period of services.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Minnesota Department of Education grant (Pathways II) is conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2019, conditional contributions approximating \$7,586, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

The Organization receives gifts in-kind, including free use of space at its new site #2 location, legal services for general operations, and marketing mainly related to its fundraising activity. 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.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

*Revenue and Revenue Recognition - 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 and perform a variety of tasks that assist the Organization to fulfill its purpose. The Organization received the support of approximately 110 volunteers for the year ended December 31, 2019.

*Advertising*

The Organization expenses advertising as incurred.

*Income Taxes*

The Organization is a non-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements. For federal income tax purposes, the Organization's tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

*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.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

*Subsequent Events*

Subsequent events have been evaluated through February 29, 2020, which is the date the financial statements were available to be issued.

*Change in Accounting Principle*

FASB has issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented ASU 2014-09 and has adjusted the presentation in these financial statements accordingly. The amendment has been applied under a modified prospective basis. Accordingly, there is no effect on net assets with the implementation of ASU 2014-09.

FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

*Endowment*

The Organization's endowment consists of one fund established for the purpose of supporting the Organization's programs and activities. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor imposed restrictions.

# BLOOM EARLY LEARNING

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

### Endowment - Continued

Our Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the principal of the original gift as of the date of the contribution of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019, there were no such donor stipulations. As a result of this interpretation, unless a donor specifies otherwise, the Organization will endeavor to preserve the principal amount of any donation to the endowment in perpetuity; provided, however, that a distribution of principal may be made to the Organization's general operating funds in the event that the Board of Directors determines by a 2/3 vote that (i) because of an emergency or other unforeseen circumstances, a distribution of principal from the endowment is reasonably necessary to allow the Organization to continue to provide programming and/or to avoid imminent harm to the Organization; and (ii) funds are not reasonably available from other sources for the intended purpose. The principal amount of a donation is the dollar amount of money at the time of contribution; provided that the Organization may, in its discretion, adjust the principal amount over time in order to preserve the purchasing power of a donor's initial donation. If a contribution of securities or other assets is made, the initial principal from the donation is the cash proceeds, net of commissions, taxes and other expenses from the sale of those assets.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of December 31, 2019, Bloom had the following endowment net asset composition by type of fund:

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount			
and amounts required to be maintained			
in perpetuity by donor	\$ -	\$ 46,345	\$ 46,345
	\$ -	\$ 46,345	\$ 46,345



# BLOOM EARLY LEARNING

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

### *Endowment - Continued*

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Bloom has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019, funds with original gift values of \$46,345 which also had a fair value of \$46,345 (cash) was reported in net assets with donor restrictions.

### *Investment and Spending Policies*

Control over the investment or reinvestment of the amounts held in the endowment is exercised exclusively by the Organization, through the finance committee of the Board of Directors, in accordance with the requirements of UPMIFA. Stability of support to the Organization from the endowment and preservation of the purchasing power of the endowment's principal and income against inflationary pressures are the primary investment objectives. The Organization may from time to time make charges to the endowment in amounts reasonably calculated to reimburse the Organization's other funds or accounts from direct and indirect costs incurred in the administration of the endowment.

Income from funds held in the endowment are available for use as approved by the Board of Directors, subject to the limitations, if any, expressed by a donor. The amount of income available for use by the Organization is determined by the Board of Directors based on the factors set forth in the UPMIFA, including the preservation of the endowment, general economic conditions, and the expected total return from interest and dividend income as well as appreciation of investments. The Board of Directors may periodically determine a specified percentage of the endowment's market value that will be available for spending, which percentage may be increased or decreased by the Board of Directors from time to time.

Changes in Endowment net assets for the year ended December 31, 2019 are as follows:

	Without Donor <u>Restriciton</u>	With Donor <u>Restriciton</u>	<u>Total</u>
Endowment at December 31, 2018	\$ -	\$ 23,345	\$ 23,345
Contributions	-	23,000	23,000
Endowment at December 31, 2019	<u>\$ -</u>	<u>\$ 46,345</u>	<u>\$ 46,345</u>

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

NOTE 2 - LEASE OBLIGATIONS 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. New in 2019, the Organization opened a second site a few miles away at Plymouth Presbyterian Church (PPC), in which a new lease arrangement was entered into with PPC. The lease term is effective February 2019 through February 2023, with free use of space (in-kind) and no required security deposit. However, the Organization is charged its percentage share of utility/usage type costs (as determined by PPC).

Total rent expense incurred by the Organization for 2019 was \$34,514.

The following discloses the future minimum lease payments:

2020	\$ 24,000
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The organization also uses several pieces of The Church's and PPC'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. They will, from time-to-time, invoice 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, 2019.

Several board members of the Organization donated a combined total of approximately \$35,000 as of December 31, 2019 to support the mission of the Organization, for combined intentions to fund scholarships to families in need and fund the capital campaign.

NOTE 3 - 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.



BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

NOTE 4 - 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.

NOTE 5 - ORGANIZATIONAL EXPANSION

As planned, the Organization opened its second location in June 2019 and ended the year with 31 children enrolled. Of the 31 children, 6 were supported by our Shirley Robinson Scholarship Fund and 3 others received funding through the Child Care Assistance Program (CCAP) and Caring for Kids (CfK). Twenty-two children were from private pay families. The full capacity of the new site is 46, bringing the Organization's total capacity to 116 children.

# BLOOM EARLY LEARNING

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

### NOTE 6 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 341,248
Promises to give, net	106,654
Program receivables, net	74,173
Prepaid expenses	7,881
State grant receivables	<u>5,732</u>
	535,688
Less	
Endowment	(46,345)
Capital campaign - site 2	<u>(85,398)</u>
	(131,743)
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>403,945</u></u>

As part of the Organization's liquidity management plan, it invests cash in excess of \$250,000 into an Insured Cash Sweep (ICS) account.

### NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of donor-imposed contributions in cash and receivables and consist of the following as December 31, 2018;

Perpetual:	
Endowment	\$ <u>46,345</u>
Purpose:	
Capital campaign - Site 2	<u>85,398</u>
Total	\$ <u><u>131,743</u></u>

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)

NOTE 8 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2019 are summarized as follows:

Expected receipt of the promises to give in:	
2020	\$ 113,154
Less allowance for uncollectable promises to give	<u>(6,500)</u>
	\$ <u>106,654</u>

Promises to give appear as follows in the statements of financial position:

Current Assets:	
Promises to give, net	\$ <u>106,654</u>

NOTE 9 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent which is allocated on a square footage basis, human resource costs which are allocated on the basis of time and effort, and administrative type costs which are allocated on the basis of actual use.

NOTE 10 - IN-KIND

The Organization recognized contribution revenue for in-kind donations received at their estimated fair values for the following for the year ended December 31, 2019:

Rent at Site #2	\$ 10,512
Marketing	15,077
Legal	5,500
Equipment and supplies for programming	<u>1,995</u>
Total	\$ <u>33,084</u>