

BLOOM EARLY LEARNING
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

LA FAYETTE & PLATH, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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FOR THE YEAR ENDED DECEMBER 31, 2022

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LA FAYETTE & 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

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bloom Early Learning and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bloom Early Learning's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bloom Early Learning's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bloom Early Learning's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Bloom Early Learning's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

LaFayette & Plath, Ltd.

Richfield, MN 55423
March 15, 2023

BLOOM EARLY LEARNING

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

(with summarized financial information for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 679,242	\$ 641,565
Trade receivables, net	27,835	41,483
Promises to give, net	1,000	32,922
Prepaid expenses	7,881	20,605
State grant receivable	-	2,530
Total Current Assets	<u>715,958</u>	<u>739,105</u>
Other Assets		
Investments/Cash - Endowment	99,754	95,742
Investments	50,000	-
Total Other Assets	<u>149,754</u>	<u>95,742</u>
Equipment and Improvements		
Facility improvements	288,852	273,951
Program equipment	82,314	80,809
Less accumulated depreciation	(168,807)	(140,329)
Total Equipment and Improvements	<u>202,359</u>	<u>214,431</u>
TOTAL ASSETS	<u>\$ 1,068,071</u>	<u>\$ 1,049,278</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred revenue	\$ 64,328	\$ 19,200
Accrued expenses	39,925	37,719
Accounts payable	24,210	10,736
Total Current Liabilities	<u>128,463</u>	<u>67,655</u>
Net Assets		
Without donor restrictions:		
Undesignated	794,854	818,881
Designated by the Board for endowment	3,034	22
	<u>797,888</u>	<u>818,903</u>
With donor restrictions:		
Perpetual in nature	96,720	95,720
Purpose/Time restrictions	45,000	67,000
	<u>141,720</u>	<u>162,720</u>
Total Net Assets	<u>939,608</u>	<u>981,623</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,068,071</u>	<u>\$ 1,049,278</u>

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

(with summarized financial information for the year ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Support				
Contributions of cash and other financial assets	\$ 472,994	\$ 1,000	\$ 473,994	\$ 560,378
Government grants	202,208	-	202,208	388,603
Contributions of nonfinancial assets	75,208	-	75,208	38,343
Total Support	<u>750,410</u>	<u>1,000</u>	<u>751,410</u>	<u>987,324</u>
Revenue				
Program service fees				
Tuition	1,581,038	-	1,581,038	1,405,185
Food program	35,388	-	35,388	27,247
Registration fees and other	292	-	292	567
Fundraising ticket sales	12,610	-	12,610	1,442
Net investment earnings	3,030	-	3,030	146
Net assets released from restrictions:	<u>22,000</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>1,654,358</u>	<u>(22,000)</u>	<u>1,632,358</u>	<u>1,434,587</u>
Total Support and Revenue	<u>2,404,768</u>	<u>(21,000)</u>	<u>2,383,768</u>	<u>2,421,911</u>
Expenses				
Program	2,117,120	-	2,117,120	1,849,051
Costs of direct benefit to donors	28,862	-	28,862	18,284
Management and general	167,738	-	167,738	116,153
Fundraising	112,063	-	112,063	114,889
Total Expenses	<u>2,425,783</u>	<u>-</u>	<u>2,425,783</u>	<u>2,098,377</u>
(Decrease) Increase in net assets	(21,015)	(21,000)	(42,015)	323,534
Net Assets, beginning of year	<u>818,903</u>	<u>162,720</u>	<u>981,623</u>	<u>658,089</u>
Net Assets, end of year	<u>\$ 797,888</u>	<u>\$ 141,720</u>	<u>\$ 939,608</u>	<u>\$ 981,623</u>

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

(with summarized financial information for the year ended December 31, 2021)

	Program	Direct benefits to donors	Management and general	Fundraising	Total	2021
Salaries and wages	\$ 1,099,647	\$ -	\$ 49,415	\$ 60,439	\$ 1,209,501	\$ 1,128,052
Payroll taxes	88,723	-	3,575	4,866	97,164	90,834
Benefits	193,782	-	8,359	7,798	209,938	203,262
Scholarship	445,788	-	-	-	445,788	284,083
Program	133,462	-	1,527	1,822	136,811	120,975
Facility	87,184	-	2,497	420	90,101	84,567
Office and administrative	20,685	-	26,329	3,872	50,886	51,997
Depreciation	27,908	-	285	285	28,478	28,920
Special events	-	28,862	-	20,386	49,248	40,462
Insurance	10,635	-	898	276	11,809	11,247
Professional fees	9,307	-	74,853	11,899	96,059	53,978
Total	\$ 2,117,120	\$ 28,862	\$ 167,738	\$ 112,063	\$ 2,425,783	\$ 2,098,377
Percentage	87%	1%	7%	5%	100%	

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(with summarized financial information for the year ended December 31, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (42,015)	\$ 323,534
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	28,478	28,920
Allowance for doubtful accounts	-	(7,500)
Receivables	48,100	67,856
Donated equity securities	(32,069)	-
Unrealized (gain) in securities portfolio	(958)	-
Realized loss in sale of donated securities	405	-
Prepaid expenses	12,724	(15,399)
Accounts payable	13,474	(4,814)
Write-off intangible assets	-	-
Cash for perpetual endowment	(1,000)	-
Deferred revenue	45,128	(201,400)
Accrued expenses	2,206	6,199
Net cash provided by operating activities	<u>74,473</u>	<u>197,396</u>
Cash flows from investing activities		
(Addition to) perpetual endowment funds	(186,846)	(49,375)
Sale of perpetual endowment funds	192,871	-
Purchase of operating investments	(98,538)	-
Sale of operating investments	39,459	-
Sale of donated equity securities	31,664	-
Purchase of capitalizable assets	(16,406)	-
Net cash (used in) investing activities	<u>(37,796)</u>	<u>(49,375)</u>
Cash flows from financing activities		
Contributions for perpetual endowment	<u>1,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,000</u>	<u>-</u>
Increase in cash	37,677	148,021
Cash, beginning of year	<u>641,565</u>	<u>493,544</u>
Cash, end of year	<u>\$ 679,242</u>	<u>\$ 641,565</u>

See Accompanying Notes to Financial Statements.

BLOOM EARLY LEARNING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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, 2022, Management has assessed that all of its "promises to give" are collectable and no allowance for uncollectible accounts for this group was deemed necessary.

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 \$6,000 as of December 31, 2022.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

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 and Improvements

Equipment and improvements 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 and improvements 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 \$28,478 for the year ended December 31, 2022.

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.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(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 donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

BLOOM EARLY LEARNING
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

Revenue and Revenue Recognition - Continued

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. The Organization has several grants that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2022, conditional contributions totaling \$62,190, of which \$59,837 had been received in advance. In addition, there has been a total of \$4,491 of program tuition related received in advance. Total deferred revenue with conditional awards and program tuition received in advance amounted to \$64,328.

The Organization receives gifts in-kind, mainly free use of space at its site #1 and site #2 locations. 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.

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 38 volunteers for the year ended December 31, 2022.

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.

BLOOM EARLY LEARNING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

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.

Subsequent Events

Subsequent to year end, the Organization continues to be impacted by the events of the COVID-19 pandemic. The Organization is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this profound situation. As of the date of issuance of the financial statements, the full impact to the Organization's financial position is not known.

Subsequent events have been evaluated through March 15, 2023, which is the date the financial statements were available to be issued.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Endowment

The Organization's endowment consists of a brokerage account with several different investment holdings, established for the purpose of supporting a scholarships for the Organization's child care program. 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, 2022
(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, 2022, 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, 2022, 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>
Board-designated endowment funds	\$ 3,034	\$ -	\$ 3,034
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 96,720	\$ 96,720
	<u>\$ 3,034</u>	<u>\$ 96,720</u>	<u>\$ 99,754</u>

BLOOM EARLY LEARNING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022, funds with original gift values of \$96,720 which also had a fair value of \$99,754, of which \$96,720 perpetual and \$3,034 board designated for endowment.

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, 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment at December 31, 2021	\$ -	\$ 95,720	\$ 95,720
Contributions	-	1,000	1,000
Net unrealized gain - held	958	-	958
Interest and dividends	2,076	-	2,076
	<u>3,034</u>	<u>1,000</u>	<u>4,034</u>
Endowment at December 31, 2022	\$ <u>3,034</u>	\$ <u>96,720</u>	\$ <u>99,754</u>

BLOOM EARLY LEARNING
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

Adoption of New Accounting Standards

During the year ended December 31, 2022, the Organization adopted the requirements of FASB ASU No. 2020-07, Not-for-Profit Entities (Topic 958). This update increases the transparency about the measurement of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure.

NOTE 2 - LEASE OBLIGATIONS AND RELATED PARTIES

The Organization uses facility space from Messiah United Methodist Church (Site #1), without charge through December 2026. The parties agreed that the estimated fair market value if the monthly free use of space would be \$2,000.

The Organization's second site a few miles away at Plymouth Presbyterian Church (Site #2), has a lease term, 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).

The Organization also uses several pieces of Site #1 and Site #2 office equipment (which the Organization does not own) throughout the year. The two lessors 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.

Total in-kind rent expense incurred by the Organization for 2022 was \$39,768.

Several board members of the Organization donated a combined total of approximately \$64,000 as of December 31, 2022 to support the mission of the Organization, for combined intentions to fund scholarships to families in need and/or fund general operations.

NOTE 3 - BUSINESS CONCENTRATIONS

Approximately 68% 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, 2022
(CONTINUED)

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework to measure fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Financial assets valued using Level 1 inputs are based on unadjusted quoted market process within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on significant unobservable inputs. The Organization does not have any Level 2 or Level 3 financial assets as of December 31, 2022.

Level 1 Fair Value Measurements - The fair value of mutual funds is based on quoted net asset values of the shares held at year-end. The fair values of exchanged traded funds are based on quoted market prices.

Fair Values of investments are as follows:

	Value Using Level 1 Inputs
Cash and bank sweep	\$ 12,596
Fixed income	48,812
Bond funds	24,850
Exchange traded funds	63,191
	<u>149,449</u>
Long-term savings	305
	<u>\$ 149,754</u>
Investment income(loss), net of investment expenses was as follows:	
Interest and dividends (does not include non-investment interest)	\$ 2,055
Unrealized net gain	958
	<u>\$ 3,013</u>

NOTE 5 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2022 are summarized as follows:

Expected receipt of contribution in:

2023 \$ 1,000

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

NOTE 6 - 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 CFK 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 CFK, 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, CFK 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 7 - 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.

BLOOM EARLY LEARNING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

NOTE 8 - 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	\$ 679,242
Other assets	149,754
Program receivables, net	27,835
Promises to give, net	1,000
Prepaid expenses	7,881
	<u>865,712</u>
Less	
Endowment net assets	(99,448)
Purpose restrictions	<u>(45,000)</u>
	<u>(144,448)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>721,264</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 9 - 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 of December 31, 2022;

Perpetual:	
Endowment	\$ <u>96,720</u>
Purpose/Time:	\$ <u>45,000</u>
	\$ <u><u>141,720</u></u>

NOTE 10 - RECLASSIFICATIONS

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Although not necessarily material, one reclassification of \$22 was moved from donor restricted net assets to without donor restricted - designated by the board for endowment, to reflect earnings above corpus on endowment funds as of December 31, 2021.

BLOOM EARLY LEARNING
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

NOTE 11 - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended December 31, 2022, contributed nonfinancial assets within the statement of activities included the following:

Rent at Site 1 and 2	\$ 39,768
Interim executive director services in-kind	<u>35,440</u>
Total	\$ <u>75,208</u>

Contributed rent was donated business space for both the Organization's sites which was used in its programming and also supported its administrative needs. The recognized fair value was based on current negotiated prices of its past historical trends and a review of current established rates of similar church related office usage.

Contributed professional services - interim executive director position was used in managing the day -to-day affairs of the Organization for a 20 week period while a new permanent hire was made. The recognized fair value was based on the actual rates being paid to the predecessor executive director.

All contributed nonfinancial assets were unrestricted.

NOTE 12 - 401(K) PLAN

The Organization offers a new 401(k) plan, made effective January 1, 2022, which was made available to eligible employees. For the year ended December 31, 2022, the Organization has accrued \$14,230 in discretionary or matching contributions on behalf of employees.