

**BLOOM EARLY LEARNING  
PLYMOUTH, MINNESOTA**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**



# BLOOM EARLY LEARNING

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3 - 4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8 - 9
Notes to Financial Statements	10 - 26

To the Board of Directors  
**Bloom Early Learning**  
Plymouth, Minnesota

### **Opinion**

We have audited the financial statements of Bloom Early Learning, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bloom Early Learning as of December 31, 2023, 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 (GAAS). 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 for one year after the date that the financial statements are 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 GAAS 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.

To the Board of Directors  
**Bloom Early Learning**  
Plymouth, Minnesota  
Page 2

### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

Misstatements 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 GAAS, 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**

The financial statements of Bloom Early Learning for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those audited financial statements in their report dated March 15, 2023. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Schafn and Associates, Ltd.*

Minneapolis, Minnesota  
May 14, 2024

## BLOOM EARLY LEARNING

### STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 603,346	\$ 679,242
Investments	293,612	53,034
Accounts receivable, net	42,820	28,835
Prepaid expenses	7,124	7,881
Total Current Assets	<u>946,902</u>	<u>768,992</u>
<b>Property and Equipment</b>		
Buildings and improvements	286,106	288,852
Program equipment	82,314	82,314
Total	<u>368,420</u>	<u>371,166</u>
Less: Accumulated depreciation	<u>195,966</u>	<u>168,807</u>
Property and Equipment, net	<u>172,454</u>	<u>202,359</u>
<b>Other Assets</b>		
Endowment investments	<u>96,720</u>	<u>96,720</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,216,076</u></u>	<u><u>\$ 1,068,071</u></u>

See Notes to Financial Statements

<b>LIABILITIES AND NET ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 26,201	\$ 9,980
Accrued payroll and taxes	69,897	54,155
Deferred revenue	76,070	64,328
	<hr/>	<hr/>
Total Current Liabilities	172,168	128,463
	<hr/>	<hr/>
<b>Net Assets</b>		
Without donor restrictions:		
Designated by the Board of Directors	5,624	3,034
Undesignated	866,564	794,854
Total	872,188	797,888
With donor restrictions	171,720	141,720
	<hr/>	<hr/>
Total Net Assets	1,043,908	939,608
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,216,076</b>	<b>\$ 1,068,071</b>
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## BLOOM EARLY LEARNING

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
<b>Support and Revenues</b>				
Tuition	\$ 1,687,589	\$ -	\$ 1,687,589	\$ 1,581,038
Contributions	561,805	30,000	591,805	473,994
Government grants	253,857	-	253,857	202,208
Food program	50,641	-	50,641	35,388
In-kind contributions	39,768	-	39,768	75,208
Fundraising ticket sales	34,678	-	34,678	12,610
Investment income	33,734	-	33,734	3,030
Other income	4,859	-	4,859	-
Registration fees and other	330	-	330	292
<b>Net Assets Released from Restrictions</b>	-	-	-	-
Total Support and Revenues	<b>2,667,261</b>	<b>30,000</b>	<b>2,697,261</b>	2,383,768
<b>Functional Expenses</b>				
Program services	2,290,842	-	2,290,842	2,117,120
General and administrative	140,033	-	140,033	167,738
Fundraising	162,086	-	162,086	140,925
Total Functional Expenses	<b>2,592,961</b>	-	<b>2,592,961</b>	2,425,783
<b>Increase (Decrease) in Net Assets</b>	<b>74,300</b>	<b>30,000</b>	<b>104,300</b>	(42,015)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>797,888</b>	<b>141,720</b>	<b>939,608</b>	981,623
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 872,188</b>	<b>\$ 171,720</b>	<b>\$ 1,043,908</b>	\$ 939,608

See Notes to Financial Statements

## BLOOM EARLY LEARNING

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Totals</b>
Salaries and wages	\$ 1,211,025	\$ 45,574	\$ 88,847	\$ 1,345,446
Scholarship	493,293	-	-	493,293
Employee benefits	203,427	5,985	13,071	222,483
Program expenses	126,401	77	4,790	131,268
Payroll taxes	95,015	2,198	6,778	103,991
Rent	88,584	3,214	168	91,966
Office and administrative expenses	39,849	24,571	4,076	68,496
Professional fees	-	51,617	-	51,617
Fundraising expenses	-	-	44,356	44,356
Depreciation	27,159	-	-	27,159
Insurance	6,089	6,797	-	12,886
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,290,842</b>	<b>\$ 140,033</b>	<b>\$ 162,086</b>	<b>\$ 2,592,961</b>

See Notes to Financial Statements

**BLOOM EARLY LEARNING**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2022**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Totals</b>
Salaries and wages	\$ 1,099,647	\$ 49,415	\$ 60,439	<b>\$ 1,209,501</b>
Scholarship	445,788	-	-	<b>445,788</b>
Employee benefits	193,781	8,359	7,798	<b>209,938</b>
Program expenses	133,462	1,527	1,822	<b>136,811</b>
Payroll taxes	88,723	3,575	4,866	<b>97,164</b>
Rent	87,184	2,497	420	<b>90,101</b>
Office and administrative expenses	20,685	26,329	3,872	<b>50,886</b>
Professional fees	9,307	74,853	11,899	<b>96,059</b>
Fundraising expenses	-	-	49,248	<b>49,248</b>
Depreciation	27,908	285	285	<b>28,478</b>
Insurance	10,635	898	276	<b>11,809</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,117,120</b>	<b>\$ 167,738</b>	<b>\$ 140,925</b>	<b>\$ 2,425,783</b>

## BLOOM EARLY LEARNING

### STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in net assets	\$ 104,300	\$ (42,015)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net investment return retained in investments	(28,499)	(553)
Depreciation	27,159	28,478
Contribution of stock	(112,079)	(32,069)
Contribution to perpetual endowment	-	(1,000)
(Increase) Decrease in:		
Accounts receivables	(13,985)	12,648
Promises to give	-	35,452
Prepaid expenses	757	12,724
(Increase) Decrease in:		
Accounts payable	18,967	13,474
Accrued payroll and taxes	15,742	2,206
Deferred revenue	11,742	45,128
Net Cash Provided By Operating Activities	<u>24,104</u>	<u>74,473</u>
<b>Cash Flows From Investing Activities</b>		
Sale of perpetual endowment funds	-	192,871
Proceeds from sale of investments	-	39,459
Sale of contributed stock	-	31,664
Purchases of property and equipment	-	(16,406)
(Addition to) perpetual endowment funds	-	(186,846)
Purchase of investments	(100,000)	(98,538)
Net Cash (Used In) Investing Activities	<u>(100,000)</u>	<u>(37,796)</u>

See Notes to Financial Statements

<i>Continued</i>	<b>2023</b>	2022
<b>Cash Flows From Financing Activities</b>		
Contributions for perpetual endowment	-	1,000
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(75,896)</b>	37,677
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>679,242</b>	641,565
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 603,346</b>	\$ 679,242

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## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Description of Organization and Summary of Significant Accounting Policies

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##### Description of Organization

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. The Organization prepares young children for success in school and enables 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.

##### Change in Accounting Principle

During 2023, the Organization adopted FASB Accounting Standards Update (ASU) No 2016-13, ASC 326 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including accounts receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Organization adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost, such as accounts receivable. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards (“incurred loss”). The standard did not have a significant impact on the Organization’s statement of financial position or statement of activities and changes in net assets.

##### Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*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.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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##### Basis of Accounting and Support and Revenue Recognition

The Organization maintains its books and records on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

For contracts that are within the scope of FASB ASC 606, *Revenue from Contracts with Customers*, the Organization performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Organization satisfies a performance obligation.

Revenue is measured based on consideration specified with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer. Performance obligations related to tuition and food program revenues are completed as benefits are consumed and transferred to customers. For performance obligations related to the Organization's events, control transfers to the customer and revenue is recognized at a point in time when the event occurs.

The Organization does not have any significant financing components as payments are received at or shortly after the services are provided.

##### Cash and Cash Equivalents

The Organization classifies all investments with an original maturity of three months or less as cash equivalents.

##### Investments

The Organization records 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 is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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##### Accounts Receivable and Allowance for Credit Losses

Accounts receivable are carried at their outstanding principal amounts, less an allowance for credit losses. All accounts receivable are expected to be collected within one year of the statement of financial position date.

The Organization maintains an allowance for credit losses on its accounts receivables, which represents an estimate of expected losses over the remaining contractual life of its receivables. The allowance for credit losses under the CECL methodology is determined using the loss rate approach and is measured on a collective (pool) basis when similar risk characteristics exist. The loss rate percentages used are based on the history of credit loss expense, the aging of accounts receivable, and the expectation of payments, with adjustments for current economic conditions and forecasts of future economic conditions. Where accounts receivable do not share risk characteristics, they are evaluated on an individual basis. Amounts are deemed past due when they exceed the payment terms agreed to by the customer. Past due amounts are charged off to the allowance for credit losses when reasonable collection efforts have been exhausted and the amounts are deemed uncollectible. Adjustments to the allowance are recorded as "credit loss expense" in management and general expenses, on the statements of activities and changes in net assets.

##### Property and Equipment

Property and equipment are stated at cost or fair value on the date of donation if contributed and are being depreciated on the straight-line method over the estimated useful lives of the assets ranging from three to fifteen years. The Organization's policy is to capitalize and depreciate property and equipment purchased or obtained which has a cost in excess of \$1,500 and a use life of at least one year.

##### Leases

When, at inception of an agreement, it is concluded an agreement includes a lease component, the Organization records an operating lease or finance lease based on the agreement. In evaluation contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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##### Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is nonreciprocal, does not contain a barrier that must be overcome, and there is no right of return of assets transferred or release of a promisor's obligation to transfer assets present.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

##### Donated Materials and Services

Donated materials are recorded as contributions at the estimated fair value on the date received. The value of the contribution of materials is recognized as both revenue and an expense to the Organization. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

##### Income Taxes

The Organization is a Minnesota nonprofit corporation and is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. As a result, the Organization does not pay federal income tax. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational returns are subject to examination by the IRS, generally for three years after they were filed.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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##### Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables. The Organization keeps its cash with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. As of December 31, 2023 and 2022 there were cash balances in excess of the federally insured limit of approximately \$312,000 and \$394,000, respectively.

The Organization's investments are maintained in mutual funds, fixed income funds, and exchange traded funds and are therefore subject to the inherent risk of investing in equity-based and debt-based securities and general market risk.

Management routinely assesses the financial strength of its customers and as a consequence, believes that receivables credit risk exposure is limited.

##### 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. See Note 4 for discussion of fair value regarding the Organization's investments.

##### 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.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

##### Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the presentation in the 2023 financial statements. There were no changes to net assets as of December 31, 2023 and 2022.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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##### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 14, 2024, the date the financial statements were available to be issued.

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#### 2. Liquidity and Availability

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The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual, donor-imposed or board-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Financial assets, end of year	<b>\$ 1,036,498</b>	\$ 857,831
Less those unavailable for general expenditure within one year due to:		
Designated by Board of Directors	<b>5,624</b>	3,034
Restriction due to time - held in perpetuity	<b>96,720</b>	96,720
Restricted by donor for purpose	<b>75,000</b>	45,000
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 859,154</u></b>	<b><u>\$ 713,077</u></b>

Financial assets are considered available for general expenditure if there are no restrictions limiting their use, or if the restriction will be achieved through general operations of the Organization within one year of the statement of financial position date.

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. The board of directors may from time to time direct that certain funds or specific sources of revenue be set aside for reserves. The Organization's board designated funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of typical operations.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Investments

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Investments, carried at fair value as determined on an open market, as of December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 288,434	\$ 12,902
Mutual funds	-	24,849
Exchange traded funds	75,289	63,191
Fixed income	26,609	48,812
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Total Investments	\$ 390,332	\$ 149,754

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#### 4. Fair Value Measurements

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

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

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Fair Value Measurements (Continued)

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The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

**Money market funds:** Money market funds are reported at the fair value based on the quoted market price of the accounts or the accounts or similar assets by the Organization's brokerage firm.

**Mutual funds:** Mutual funds are reported at the fair value based on the quoted market price of the fund, as reported by the Organization's brokerage firm.

**Exchange traded funds:** Exchange traded funds are reported at the fair value based on the quoted market price of the fund, as reported by the Organization's brokerage firm.

**Fixed Income:** Fixed income funds are reported at the fair value based on the quoted market price of the fund, as reported by the Organization's brokerage firm.

The methods described above may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**BLOOM EARLY LEARNING****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4. Fair Value Measurements (Continued)**

The following tables reflect the Organization's investments within the fair value hierarchy at December 31, 2023 and 2022:

	<b>As of December 31, 2023</b>			
	<b>Assets Measured at Fair Value</b>	<b>Fair Value Hierarchy Level</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market funds	\$ 288,434	\$ 288,434	\$ -	\$ -
Exchange traded funds	75,289	75,289	-	-
Fixed income	26,609	26,609	-	-
Total	\$ 390,332	\$ 390,332	\$ -	\$ -

	<b>As of December 31, 2022</b>			
	<b>Assets Measured at Fair Value</b>	<b>Fair Value Hierarchy Level</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market funds	\$ 12,902	\$ 12,902	\$ -	\$ -
Mutual funds	24,849	24,849	-	-
Exchange traded funds	63,191	63,191	-	-
Fixed income	48,812	48,812	-	-
Total	\$ 149,754	\$ 149,754	\$ -	\$ -

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 5. Accounts Receivable

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Accounts receivable as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 48,820	\$ 34,835
Less: Allowance for credit losses	(6,000)	(6,000)
Accounts receivable, net	<u>\$ 42,820</u>	<u>\$ 28,835</u>

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#### 6. Net Assets

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##### Board Designated

Board designated net assets as of December 31, 2023 and 2022 totaled \$5,624 and \$3,034, respectively, designated for scholarships.

##### Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Restricted for purpose:		
Staffing	\$ 50,000	\$ 45,000
Playground equipment	25,000	-
Restricted for time:		
Endowments, held in perpetuity	96,720	96,720
Total Net Assets with Donor Restrictions	<u>\$ 171,720</u>	<u>\$ 141,720</u>

There were no net assets released from restriction through use of the funds for the donor-specified purpose for the year ended December 31, 2023. Net assets in the amount of \$22,000 were released from restriction through use of the funds for the donor-specific purpose for the year ended December 31, 2022.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 7. Retirement Plan

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The Organization sponsors a 401(k) plan for its employees. Employees are eligible to participate in the plan after 90 days of service. Each year, the Organization may contribute to the plan a discretionary matching and/or nonelective contribution. The Organization contributed a matching contribution of 100% of the participant's contribution up to the first 3% of a participant's compensation for each of the years ended December 31, 2023 and 2022. Employer contributions made by the Organization for the years ended December 31, 2023 and 2022 totaled \$17,869 and \$14,230, respectively.

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#### 8. Functional Expenses

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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.

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#### 9. Revenue and Contract Balances

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Revenue, disaggregated by timing of satisfaction of performance obligations, for the years ended December 31, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied over time	<b>\$ 1,738,230</b>	\$ 1,616,426
Performance obligations satisfied at a point in time	<b>35,008</b>	12,902
Total	<b><u>\$ 1,703,222</u></b>	<b><u>\$ 1,603,524</u></b>

Revenue from performance obligations satisfied over time consist of tuition and food program revenues. Revenue from performance obligations satisfied at a point in time consist of the Organization's events.

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## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 9. Revenue and Contract Balances (Continued)

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Contract liability balances, made up of funds paid in advance for childcare fees, were the following:

	<b><u>Contract Liability</u></b>
Balance as of January 1, 2022	<b><u>\$ 19,200</u></b>
Balance as of December 31, 2022	<b><u>\$ 64,328</u></b>
Balance as of December 31, 2023	<b><u>\$ 76,070</u></b>

The Organization typically recognizes contract liabilities as revenue in the next fiscal year.

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#### 10. Endowment Fund

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The Organization's endowment consists of money market funds, mutual funds, exchange traded funds, and fixed income. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization's Board of Directors has interpreted Minnesota's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 10. Endowment Fund (Continued)

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In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor requires the Organization to retain as a balance for perpetual duration (underwater endowments). There were no underwater endowments as of December 31, 2023 and 2022.

#### 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 requirement 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 inflammatory 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. This percentage may be increased or decreased by the Board of Directors from time to time.

**BLOOM EARLY LEARNING****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****10. Endowment Fund (Continued)**

The composition of endowment net assets as of December 31, 2023 and 2022 was as follows:

As of December 31, 2023	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Board-designated endowment funds	\$ 5,624	\$ -	\$ 5,624
Donor-restricted endowment funds	-	96,720	96,720
<b>Totals</b>	<b>\$ 5,624</b>	<b>\$ 96,720</b>	<b>\$ 102,344</b>

As of December 31, 2022	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Board-designated endowment funds	\$ 3,034	\$ -	\$ 3,034
Donor-restricted endowment funds	-	96,720	96,720
<b>Totals</b>	<b>\$ 3,034</b>	<b>\$ 96,720</b>	<b>\$ 99,754</b>

The changes in endowment net assets for the years ended December 31, 2023 and 2022 consisted of the following:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Endowment net assets January 1, 2023	\$ 3,034	\$ 96,720	\$ 99,754
Net investment return	2,590	-	2,590
<b>Endowment at December 31, 2023</b>	<b>\$ 5,624</b>	<b>\$ 96,720</b>	<b>\$ 102,344</b>

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 10. Endowment Fund (Continued)

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Endowment net assets January 1, 2022	\$ -	\$ 95,720	\$ <b>95,720</b>
Contributions	-	1,000	<b>1,000</b>
Net investment return	3,034	-	<b>3,034</b>
Endowment at December 31, 2022	<u>\$ 3,034</u>	<u>\$ 96,720</u>	<u>\$ <b>99,754</b></u>

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#### 11. Lease Obligations and Related Parties

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

The Organization's second site a few miles away at Plymouth Presbyterian Church (PPC, Site #2), has a lease term through February 2027, 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.

## BLOOM EARLY LEARNING

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 11. Lease Obligations and Related Parties (Continued)

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Total in-kind rent expense incurred by the Organization for each of the years ended December 31, 2023 and 2022 was \$39,768.

Several board members of the Organization donated a combined total of approximately \$47,000 and \$64,000 as of December 31, 2023 and 2022, respectively, to support the mission of the Organization, for combined intentions to fund scholarships to families in need and/or fund general operations.

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#### 12. In-Kind Contributions

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The Organization's financial statements include the following in-kind contributions revenue and support and associated expense:

*Rent* – The Organization receives donated rent that would typically be paid directly if not provided as an in-kind contribution. The value is provided by the lease agreement, which is described in Note 11.

*Professional services* – The Organization occasionally receives donated professional services that would typically be paid directly if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value and expenses as services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on date, time and market in which the services are rendered.

The Organization did not monetize any contributed non-financial assets and contributed non-financial assets did not have donor restrictions during the years ended December 31, 2023 and 2022.

**BLOOM EARLY LEARNING****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**12. In-Kind Contributions (Continued)**

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In-kind contributions included in the statements of activities for the years ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Program Services		
Professional services	\$ -	\$ 6,923
Rent	<b>39,168</b>	39,168
Fundraising		
Rent	<b>120</b>	120
General and Administrative		
Professional services	-	28,517
Rent	<b>480</b>	480
Total	<b><u>\$ 39,768</u></b>	<b><u>\$ 75,208</u></b>