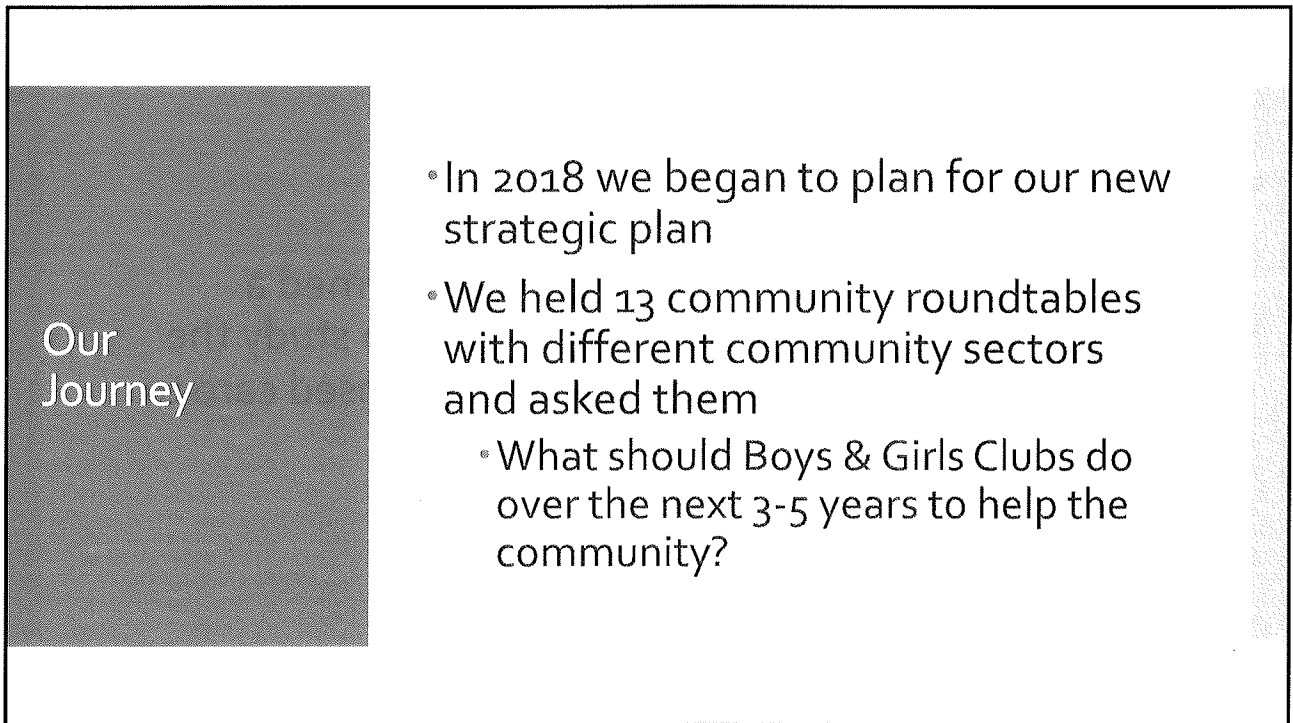
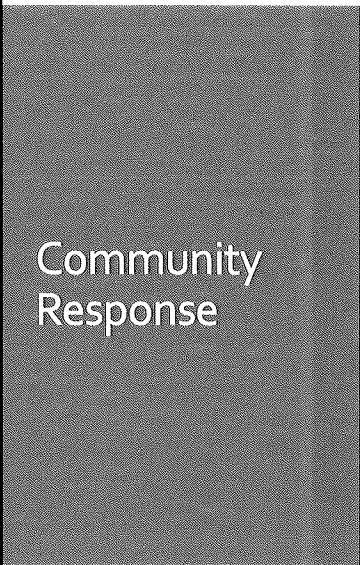


1




2



Community Response

- The number one response to that question was increase childcare opportunities.
 - 100% of participants told us this was an issue that was impacting this community.

3



Our Research

- Four board members formed a committee and began to study the feasibility of adding licensed care to our operations.

4

The Need

- 532 Licensed Care spots represents 15% of available spots in Whatcom County
 - 324 are occupied by children who receive childcare subsidy (61%)
- Next largest daycare is half our size
 - Enrolls fewer than 25% subsidized children
 - Every center in Whatcom County has a waiting list for services
- Estimated shortage of 4,000 spots
- Challenge to determine number because many families have stopped looking

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The Study

- Boys & Girls Clubs of Benton & Franklin Counties
 - Operates licensed care
 - Quickly scaled to open 13 sites over 10 weeks
- Commercial Real estate brokers looked at vacant buildings and lots
- Researched Licensing
- Developed budgets
- Inquiry about numbers on waiting lists

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The Results

- In Q2 of 2019 we determined that it would not be feasible for us to start a licensed care center without a partner.
 - Startup costs, including construction and the licensing requirements would be prohibitive.

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The Opportunity

- Mid-October a meeting with Michael Watters
 - We immediately saw this as the opportunity we had prepared for over the previous 6 months

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Our Experience

- Served youth in this community for 74 years
- CEO has run licensed care in Davenport, IA when working for the YMCA
- Participated in an acquisition of daycare in Sturgeon Bay, WI similar to this
- Have 2 senior staff who came from licensed childcare, 1 who worked for KW for 12 years

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Engaged Experts

- With a tight timeline we began engaging experts.
 - Retired Business developer walked the board through determining feasibility.
 - Reviewing KW financial information and challenging the board to consider all possibilities
 - Commercial Real estate agents
 - Reviewing current leases and valuing land

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The Financials

- Determined total revenue possible by multiplying licensed spots by current weekly rates
 - \$4,753,050 (private pay only)
- Reviewed 2018 revenue
 - \$3,139,732
- Reviewed 2017 revenue
 - \$3,406,807
- Projected 2019 revenue
 - \$4,142,787*

*4th center opened in 2019

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Revenue Assumptions

- Operate at similar capacity in 2020
 - Including only a minimal decrease in subsidized children served
- We would transfer Early Achievers rating at acquisition

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Their Expenses	<ul style="list-style-type: none">◦ 2018<ul style="list-style-type: none">◦ \$3,540,713◦ Net Loss of \$311,000◦ 2017<ul style="list-style-type: none">◦ \$3,143,564◦ Net Gain of \$263,242◦ 2019 Projection<ul style="list-style-type: none">◦ \$4,245,150◦ Net Gain of \$189,456
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Of Note	<ul style="list-style-type: none">◦ Kids World was being operated by 2 individuals who were drawing \$60,000 annually in salaries over the last three years◦ Analysis of rents paid were market rate<ul style="list-style-type: none">◦ 2019 (\$530,831)
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Our Assumptions

- 85% of employees were making minimum wage +1.50/ hour
- Bring into our approved wage scale
 - 2,443,100* 2019 estimate
 - 3,107,750* 2020 budget
- Benefits
 - 2019 estimate \$459,412
 - 2020 budget \$496,000

*wages only

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Our Proforma

Boys and Girls Clubs of Whatcom County
Pro-forma operation of Kids' World Daycare Centers
2020

Remove 2019 Revenue	(4,142,787)	
Add 2020 Estimated Revenue	4,192,787	
Remove 2019 Payroll Expenses	2,903,000	
Add 2020 Estimated Payroll		
Employee Wages	(3,107,750)	JCCMP approved scale
Payroll Tax Burden	(342,000)	
Health Insurance 401(k)	(150,000)	Net of employee contribution Amount to be determined for 2021
Remove 2019 Pool Expenses	5,000	
Transition Costs		
New Licensing Fees	(7,000)	Estimated
Required improvements to centers for licensing	(40,000)	Estimated
Legal/ Escrow Fees	(12,000)	Estimated
WA State Use Tax on Transferred Assets	(5,000)	Estimated
Net estimated shortfall	(705,750)	

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Getting to even (So Far)

- Eliminate Pool & Swim lessons
 - (\$25,000)
- Eliminate Farm
 - (\$10,000)
- Eliminate 2 maintenance staff
 - (\$80,000)
- Eliminate 20 staff
 - (\$300,000)
 - Staffing to daily attendance
- (\$415,000)

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On the Horizon

- Depends of resources
- Increase revenue
 - Operate at licensed capacity
 - Raise daily/ weekly fees
 - Reduce service to subsidized children
- Decrease expense
 - Bids for services
 - Meal Program revisions
 - Close rooms until we are full

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