










Business Overview

RE: Successful Childcare with Enrichment Focus

Specifications

 Price \$660,000	 Revenue \$841,964	 Cash Flow \$205,379
 Multiplier 3.25	 Equipment \$95,397	 Down Payment 12.5%
 Industry Childcare/Instructional	 Location Omaha, Nebraska	 Employees 17 – 15 FT and 2 PT: includes Assistant Director, Administrative Assistant, Teachers, Assistants and Cook



SUMMARY OF THE BUSINESS –

With increasing gross sales and high profit margin year over year, this stand-alone childcare facility serves children from 6 weeks to 12 years old. With an all-inclusive enrichment focus, children are exposed to a variety of available activities including dance, music, art and offsite field trips. State-approved curriculum is in place.

Located in an 11,000 square foot free-standing building that includes an activity center, lunch room, 8 separate

classrooms and a playground on-site, the annualized cash flow for 2016 is \$205,379. The center is licensed for 125, has a current enrollment of 120 and a capacity of 150. Title XX makes up 60-70% of enrollments. The infant room could be expanded for additional growth.

With an excellent reputation in the community, this full scale daycare pulls from a variety of nearby premium schools. Transportation to and from school is provided, and school-aged children can enroll for summer camp, and attend full-day child care on school holidays and snow days. On average 52,492 cars pass through the nearest major intersection.

The current staff of 17 employees (15FT and 2PT) includes an Assistant Director, Administrative Assistant, Cook, Teachers and Assistants. The current owner's responsibilities include overall management, bookkeeping and recently serving as the Interim Director.

In the first year, after debt service of \$107,230, a new owner can expect to profit \$98,149, thus making a 118% return on their down payment of \$82,500.

Business Highlights

- **Capacity/Demographics:** Licensed for 125, building capacity of 150, serving children 6 weeks to 12 years of age
- **Enrollment:** 120 with 75-90 in attendance on average; 60-70% Title XX
- **Lease:** 11,000 sq. ft. free-standing building with activity room, lunch room, 8 classrooms and playground for \$8,200/month plus utilities
- **Employees:** 17 (15FT and 2PT): includes Assistant Director, Administrative Assistant, Teachers, Assistants and Cook
- **Hours:** M-F 5:30AM-6PM
- **Seller Training Period:** 90 days of support
- **Growth Opportunities:** Add to infant room for additional enrollment capabilities; Add transportation to/from homes

Financial Highlights

- **2016 Gross Sales:** \$841,964
- **2015 Gross Sales:** \$825,363
- **2016 Cash Flow:** \$205,379
- **3 Year Average Cash Flow (2014-2016):** \$206,739
- **Assets Included in Purchase: \$95,397**
 - **Vehicles:** \$45,627 – Two 15-passenger vans

- **Furniture and Equipment:** \$49,770 which includes ovens, refrigerator, freezer, washer and dryer unit and office equipment
- **Intangible Assets:** Website, childcare management software with invoice management system
- **Leasehold improvements:** \$18,861

Recasted Cash Flow Analysis

Description of Financial Statement	P&L Statement January- December	Tax Return	Tax Return	Tax Return	Notes
	2016	2015	2014	2013	
GROSS SALES	\$841,964	\$825,363	\$712,097	\$500,218	
Net Income Shown on Financial Statement	\$111,716	\$184,529	\$123,446	\$-586	
ADDBACKS					
Compensation to Owner	\$32,500	\$32,500	\$32,500	\$28,750	
11% Tax on total W2 Salaries	\$3,575	\$3,575	\$3,575	\$3,163	
Depreciation	\$0	\$11,911	\$13,398	\$18,003	Non-Cash Item
Interest	\$0	\$2,458	\$1,695	\$1,671	Non-onward going expense
Interest: Credit Card	\$5,961	\$0	\$0	\$0	Non-onward going expense
Interest: Line of Credit	\$2,112	\$0	\$0	\$0	Non-onward going expense
Interest: Van	\$436	\$0	\$0	\$0	Non-onward going expense
Amortization	\$0	\$2,876	\$2,876	\$2,876	Non-cash item
Auto Lease (see note A)	\$11,949	\$0	\$0	\$0	No lease payments for Buyer
Contributions/Donations	\$500	\$0	\$0	\$0	Non-onward going expense
Unneeded Assistant Director (see note B)	\$22,000	\$0	\$0	\$0	Unnecessary expense
Overpaid Director (see note C)	\$11,000	\$0	\$0	\$0	Overpaid by \$11k/year (Director replacement wage is \$34k/year)
11% Tax on Director & Assistant	\$3,630	\$0	\$0	\$0	
TOTAL ADDBACKS	\$93,663	\$53,320	\$54,044	\$54,463	
Seller's Cash Flow = Total Addbacks + Net Income	\$205,379	\$237,849	\$177,490	\$53,877	

Profit Margin	24.39 %	28.82 %	24.92 %	10.77 %
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Labor was up by 6% to 43% January - October 2016. This affected Cash Flow by \$51,000.

In October 2016 these changes were made to realign labor costs:

A. Auto Lease for Director (no longer have the lease vehicle). It is extremely uncommon to pay personal lease for a Director

B. Had 2 assistant directors through early September (now only have one). Best practice is to have one assistant director.

C. Overpaid Director - State average is \$33,000-\$35,000/year. Paid \$44,000/year

In November and December, labor costs were back to normal.

- Profit Margin consistently above 20% from 2014-2016
- Positive growth in Cash Flow from 2014-2016
- Addbacks included for unneeded second Assistant Director and portion of Director's salary over the state average increases Seller's Cash Flow

Program Details

The business offers services to the following age groups:

- Infant I – 6 weeks to 6 months
- Infant II – 6 months to 12 months
- Toddler I & Toddler II – 12 to 18 months
- Twos and 2/3 Transition Room – 2 years to 3 years
- Preschool I& II – 3-4-5 years
- School Age – 6 years – 12 years

Staff Information

The staff of 17 includes **15 full time** and **2 part time** staff. Teachers and assistants, who make up the majority of the staff, are paid \$9 to \$12 per hour.

Valuation Details

The Firm Business Brokerage used a Cash Flow Valuation methodology to determine the Purchase Price of the business. The formula used is as follows:

$$\text{Cash Flow} \times \text{Multiplier} = \text{Price}$$

“Cash flow” is the sum of net income plus any owner perks and non-onward going expenses.

“Multiplier” is a prescribed number between 1 and 5 determined by a 100-point, 20-question rating system used to determine the business valuation (average is 3).

The Three-Year Average Cash Flow (2014-2016) is \$203,608. The prescribed multiplier is 3.25.

With this information, the computation result follows:

$$\$206,739 \times 3.25 = \$671,901$$

The List Price for the business is set at \$660,000.

Funding Example

Purchase Price:	\$660,000
12.5% Buyer Down Payment:	\$82,500
12.5% Seller Financing:	\$82,500
75% Bank Loan:	\$495,000

Seller Financing 4-year term at a rate of 4.50% equals a monthly loan payment of \$1,881

Bank Loan 7-year term at a rate of 5.25% equals a monthly loan payment of \$7,055

After business expenses and annual loan payments of \$107,230, a buyer would retain a net operating income (profit) of \$98,149.

A down payment of \$82,500 results in a 118% return on investment in the first year!

At a proposed Purchase Price of \$660,000 with the terms listed above, the coverage ratio is 1.92.

Attachments

For your further information, I have attached the following documents to this email:

- Business Summary
 - Identifies important business information in an organized quick-reference format
- Recasted Cash Flow Analysis
 - The owner's profit is the sum of business net income + any owner's perks & any non-onward going expenses (cash flow)

To receive a full financial package and specific information regarding this business:

1. Complete the Qualified Buyer Documents (Non-Disclosure Agreement and Buyer Questionnaire) [on our website](#) or print, scan and return the attachments to info@TheFirmB2B.com
2. Call The Firm Business Brokerage at 402.998.5288 to schedule an appointment or conference call with a Broker.

The Firm currently has over 90 cash flowing businesses available. If you find that this is not a fit for you, please let us know and we would be happy to provide you with other opportunities.

The Firm makes no warranties or representation in consideration to the information provided above. All communication regarding this business must occur directly with The Firm Brokerage, LLC.