

**THE BUILDING FOR KIDS, INC.**

**Audited Financial Statements**

**For the Years Ended  
December 31, 2018 and 2017**

THE BUILDING FOR KIDS, INC.

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December 31, 2018 and 2017

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## Independent Auditors' Report

To the Board of Directors  
The Building for Kids, Inc.  
Appleton, Wisconsin

We have audited the accompanying financial statements of The Building for Kids, Inc. which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Building for Kids, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink that reads 'KerberRose SC'.

**KerberRose SC**  
**Certified Public Accountants**  
June 13, 2019

## Financial Statements

**THE BUILDING FOR KIDS, INC.**Statements of Financial Position  
As of December 31, 2018 and 2017

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Cash and Cash Equivalents	\$ 404,916	\$ 410,571
Accounts Receivable	4,133	6,536
Prepaid Expenses	10,718	7,848
Unconditional Promises to Give	173,841	350,096
Beneficial Interest in Assets Held at the Community Foundation	333,082	352,036
Cash Restricted for Long-Term Uses	37,856	186,652
Property and Equipment, Net	1,917,251	1,629,396
<b>TOTAL ASSETS</b>	<b>\$ 2,881,797</b>	<b>\$ 2,943,135</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 82,475	\$ 90,650
Deferred Revenue	154,696	136,412
<b>TOTAL LIABILITIES</b>	<b>237,171</b>	<b>227,062</b>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	136,114	132,719
Designated:		
Property and Equipment	1,917,251	1,629,396
Total Net Assets Without Donor Restrictions	2,053,365	1,762,115
With Donor Restrictions	591,261	953,958
<b>TOTAL NET ASSETS</b>	<b>2,644,626</b>	<b>2,716,073</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,881,797</b>	<b>\$ 2,943,135</b>

See Accompanying Notes

**THE BUILDING FOR KIDS, INC.**  
Statement of Activities  
For the Year Ended December 31, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUES AND OTHER SUPPORT</b>			
Contributions and Grants	\$ 216,454	\$ 241,990	\$ 458,444
Admissions	340,399	-	340,399
Membership	251,521	-	251,521
Merchandise Sales	4,947	-	4,947
Program Revenue	99,537	-	99,537
Other Revenues	14,596	-	14,596
Net Assets Released from Restrictions by Satisfying Donor Stipulations	575,525	(575,525)	-
<b>Total Operating Revenues and Other Support</b>	<u>1,502,979</u>	<u>(333,535)</u>	<u>1,169,444</u>
<b>PROGRAM EXPENSES</b>	<u>901,599</u>	<u>-</u>	<u>901,599</u>
<b>SUPPORTING EXPENSES</b>			
Management and General	220,174	-	220,174
Fundraising	89,956	-	89,956
<b>Total Supporting Expenses</b>	<u>310,130</u>	<u>-</u>	<u>310,130</u>
<b>Total Expenses</b>	<u>1,211,729</u>	<u>-</u>	<u>1,211,729</u>
<b>Increase (Decrease) in Net Assets from Operating Activities</b>	<u>291,250</u>	<u>(333,535)</u>	<u>(42,285)</u>
<b>NONOPERATING ACTIVITIES</b>			
Loss on Beneficial Interest in Assets Held at the Community Foundation	<u>-</u>	<u>(29,162)</u>	<u>(29,162)</u>
<b>CHANGE IN NET ASSETS</b>	291,250	(362,697)	(71,447)
<b>NET ASSETS - BEGINNING</b>	<u>1,762,115</u>	<u>953,958</u>	<u>2,716,073</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 2,053,365</u></u>	<u><u>\$ 591,261</u></u>	<u><u>\$ 2,644,626</u></u>

See Accompanying Notes

**THE BUILDING FOR KIDS, INC.**  
Statement of Activities  
For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUES AND OTHER SUPPORT</b>			
Contributions and Grants	\$ 147,293	\$ 658,505	\$ 805,798
Admissions	348,897	-	348,897
Membership	196,265	-	196,265
Merchandise Sales	7,258	-	7,258
Program Revenue	99,415	-	99,415
Other Revenues	41,680	-	41,680
Net Assets Released from Restrictions by Satisfying Donor Stipulations	335,994	(335,994)	-
<b>Total Operating Revenues and Other Support</b>	<u>1,176,802</u>	<u>322,511</u>	<u>1,499,313</u>
<b>PROGRAM EXPENSES</b>	<u>828,454</u>	<u>-</u>	<u>828,454</u>
<b>SUPPORTING EXPENSES</b>			
Management and General	232,117	-	232,117
Fundraising	76,153	-	76,153
<b>Total Supporting Expenses</b>	<u>308,270</u>	<u>-</u>	<u>308,270</u>
<b>Total Expenses</b>	<u>1,136,724</u>	<u>-</u>	<u>1,136,724</u>
<b>Increase in Net Assets from Operating Activities</b>	<u>40,078</u>	<u>322,511</u>	<u>362,589</u>
<b>NONOPERATING ACTIVITIES</b>			
Gain on Beneficial Interest in Assets Held at the Community Foundation	<u>-</u>	<u>49,382</u>	<u>49,382</u>
<b>CHANGE IN NET ASSETS</b>	40,078	371,893	411,971
<b>NET ASSETS - BEGINNING</b>	<u>1,722,037</u>	<u>582,065</u>	<u>2,304,102</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,762,115</u>	<u>\$ 953,958</u>	<u>\$ 2,716,073</u>

See Accompanying Notes

**THE BUILDING FOR KIDS, INC.**  
Statement of Functional Expense  
For the Year Ended December 31, 2018

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>EXPENSES</b>				
Salaries and Wages	\$ 256,413	\$ 112,069	\$ 68,367	\$ 436,849
Other Employee Benefits	21,560	9,475	5,865	36,900
Payroll Taxes	21,356	9,386	5,809	36,551
Professional Fees	-	16,681	-	16,681
Office Supplies and Expense	13,929	7,700	4,014	25,643
Occupancy Expenses	168,417	29,721	-	198,138
Cleaning Expenses	42,434	-	-	42,434
Equipment, Supplies, and Maintenance	43,713	-	-	43,713
Conferences and Meetings	-	2,218	-	2,218
Depreciation	234,221	12,298	-	246,519
Promotional Fees	13,639	-	5,901	19,540
Volunteer Expenses	617	-	-	617
Credit Card Fees	-	15,626	-	15,626
Program Expenses	34,976	-	-	34,976
Scholarships	47,178	-	-	47,178
Gift Shop Cost of Sales	3,146	-	-	3,146
Dues and Filing Fees	-	5,000	-	5,000
<b>TOTAL EXPENSES</b>	<u>\$ 901,599</u>	<u>\$ 220,174</u>	<u>\$ 89,956</u>	<u>\$ 1,211,729</u>

See Accompanying Notes

**THE BUILDING FOR KIDS, INC.**  
Statement of Functional Expense  
For the Year Ended December 31, 2017

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>EXPENSES</b>				
Salaries and Wages	\$ 230,358	\$ 128,141	\$ 56,680	\$ 415,179
Other Employee Benefits	17,526	9,759	4,432	31,717
Payroll Taxes	19,867	11,064	5,024	35,955
Professional Fees	-	12,527	-	12,527
Design and Printing	485	-	-	485
Office Supplies and Expense	14,283	7,896	4,116	26,295
Occupancy Expenses	168,800	29,788	-	198,588
Cleaning Expenses	39,699	-	-	39,699
Equipment, Supplies, and Maintenance	37,719	-	-	37,719
Conferences and Meetings	-	3,457	-	3,457
Depreciation	199,916	10,522	-	210,438
Promotional Fees	20,230	-	5,901	26,131
Volunteer Expenses	309	-	-	309
Credit Card Fees	-	13,892	-	13,892
Scholarships	31,604	-	-	31,604
Gift Shop Cost of Sales	44,920	-	-	44,920
Dues and Filing Fees	2,738	-	-	2,738
Dues and Filing Fees	-	5,071	-	5,071
<b>TOTAL EXPENSES</b>	<u>\$ 828,454</u>	<u>\$ 232,117</u>	<u>\$ 76,153</u>	<u>\$ 1,136,724</u>

See Accompanying Notes

**THE BUILDING FOR KIDS, INC.**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (71,447)	\$ 411,971
Adjustments to Reconcile Change in Net Assets to		
Net Cash Flows From Operating Activities:		
Depreciation	246,519	210,438
In-Kind Donations of Property and Equipment	(25,699)	(13,000)
Return on Beneficial Interest in Assets Held at		
the Community Foundation	29,162	(49,382)
Contributions Restricted for Long-Term Purposes	(39,277)	(576,000)
Loss on Disposal of Building Improvements	8,639	3,611
Changes in Certain Assets and Liabilities:		
Unconditional Promises to Give	30,000	55,000
Accounts Receivable and Prepaid Expenses	(467)	1,097
Accounts Payable and Accrued Expenses	(8,175)	4,800
Deferred Revenue	18,284	26,344
<b>Net Cash Flows From Operating Activities</b>	<u>187,539</u>	<u>74,879</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(542,314)	(166,450)
Distributions from Investments at Community Foundation	14,792	16,781
Decrease (Increase) in Cash Restricted for Long-Term Purposes	148,796	(105,223)
<b>Net Cash Flows From Investing Activities</b>	<u>(378,726)</u>	<u>(254,892)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collection of Contributions Restricted for Long-Term Purposes:		
Exhibits	160,532	334,032
Endowment	25,000	-
<b>Net Cash Flows From Financing Activities</b>	<u>185,532</u>	<u>334,032</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(5,655)	154,019
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>410,571</u>	<u>256,552</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 404,916</u>	<u>\$ 410,571</u>

See Accompanying Notes

## THE BUILDING FOR KIDS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

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### **Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of The Building for Kids, Inc. (the Museum) is presented to assist in understanding the Museum's financial statements. The financial statements and notes are representations of the Museum's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### **Nature of Operations**

The Museum is a non-profit corporation located in Appleton, Wisconsin. It is organized for the purpose of providing a hands-on, interactive children's museum.

#### **Cash Equivalents**

The Museum considers all highly liquid investments, except for those restricted for long-term purposes, with a maturity of three months or less when purchased to be cash equivalents. Cash restricted for long-term purposes at December 31, 2018 and 2017 relates primarily to construction of future exhibits.

The Museum's cash is maintained in several banks and is insured by the FDIC \$250,000 per bank. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

#### **Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### **Property, Equipment and Depreciation**

Purchased property and equipment with a cost of more than \$1,000 and a useful life of more than one year are capitalized. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3-20 years.

#### **Collections**

The Museum has adopted a policy of not capitalizing collections in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Any expenditure or proceeds related to purchases, sales, or insurance recoveries of collection items are reported separately on the statement of activities in the period in which they occur. The Museum's collection consists of tin toys.

#### **Membership Revenue**

Membership fees are recognized as revenue in the applicable membership period. Deferred revenue represents membership fees received for which the term of the membership has not expired.

## THE BUILDING FOR KIDS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

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### **Note 1 – Summary of Significant Accounting Policies (Continued)**

#### **Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time to the Museum principally in staffing the various exhibits and special events. The value of this contributed time is not reflected in these statements. The Museum pays for most services requiring specific expertise.

#### **Net Assets**

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

- Net Assets Without Donor Restrictions- Net assets that are not subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions- Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Museum pursuant to those stipulations or that expire by the passage of time. Other donor-imposed stipulations are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

#### **Income Taxes**

The Museum is qualified as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for net earnings derived from gift shop merchandise sales. Gifts, grants, and bequests are deductible by donors within limitations of the Internal Revenue Code.

The Museum evaluates its tax positions based on whether or not the position is more likely than not to be sustained upon examination by taxing authorities. This evaluation includes monitoring changes in tax law and new authoritative rulings for potential implications to its tax status and positions. The Museum's federal income tax returns are subject to examination generally for three years after they are filed and its state income tax returns generally for four years after they are filed.

#### **Measure of Operations**

The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities and excludes the gain or loss on its beneficial interest in assets held by the community foundation.

#### **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 certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

#### **Expense Allocation**

The costs of providing the various programs and other activities have been allocated among program services, management and general, and fundraising classifications on the basis of time records and estimates made by management.

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. Occupancy and depreciation are allocated on a square footage basis; the remaining expense categories are allocated on the basis of estimates of time and effort.

# THE BUILDING FOR KIDS, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

## Note 1 – Summary of Significant Accounting Policies (Continued)

### Subsequent Events

Subsequent events were evaluated through June 13, 2019, which is the date the financial statements were available to be issued.

### Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Building for Kids, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

## Note 2 – Liquidity and Availability

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

	2018	2017
Cash and Cash Equivalents	\$ 374,806	\$ 377,249
Accounts Receivable	4,133	6,536
Time Restrictions to be Met in Less Than Twelve Months	63,532	196,032
	<u>\$ 442,471</u>	<u>\$ 579,817</u>

The Museum has various sources of liquidity at its disposal, including cash and a line of credit that can be drawn on if additional resources are needed. See Note 6 for information about the Museum's line of credit. In addition to financial assets available to meet general expenditures over the next 12 months, the Museum anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

## Note 3 – Unconditional Promises to Give

The Museum received unconditional promises to give for operations and exhibits during the year ended December 31, 2018 and 2017. The promises to give at December 31, 2018 and 2017 is due as follows:

	2018	2017
Less Than One Year	\$ 63,532	\$ 196,032
One to Five Years	110,309	154,064
Total	<u>\$ 173,841</u>	<u>\$ 350,096</u>

Promises due in one or more years at December 31, 2018 and 2017 were not discounted because the amount is not material to the financial statements. Based on management's review of the promises to give, no allowance for doubtful accounts is considered necessary.

## THE BUILDING FOR KIDS, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

### Note 4 – Beneficial Interest in Assets Held at the Community Foundation

As of December 31, 2018 and 2017 funds totaling \$333,082 and \$352,036, respectively, were held for the future use and benefit of the Museum at the Community Foundation for the Fox Valley Region, Inc. (the Foundation). Those amounts are reflected in the accompanying financial statements as beneficial interest in assets held at the Community Foundation. The Foundation invests the assets held in the funds primarily in equity and fixed income securities. These securities are valued at fair value primarily based on quoted market prices in active markets.

The Museum has granted variance power to the Foundation. As such the board of directors of the Foundation has the power to modify any restriction or condition on the distribution of funds if in its judgment such restrictions become inconsistent with the charitable needs of the Museum or inconsistent with the charitable needs served by the Foundation.

Annually the Foundation determines amounts available for distribution to the Museum based on various distribution policies of the Foundation. The Museum can elect to receive these distributions or have these added to the principal of the respective funds at the Foundation. The Museum received \$14,792 and \$16,781 of distributions from the Foundation in 2018 and 2017, respectively.

### Note 5 – Property and Equipment

Property and equipment consists of the following at December 31, 2018 and 2017:

	2018	2017
Building and Improvements	\$ 1,626,176	\$ 1,626,176
Constructed Exhibits	3,692,180	3,302,210
Equipment	323,018	361,474
Construction in Process	3,500	3,500
Total Property and Equipment	5,644,874	5,293,360
Less: Accumulated Depreciation	3,727,623	3,663,964
Property and Equipment, Net	<u>\$ 1,917,251</u>	<u>\$ 1,629,396</u>

### Note 6 – Debt

The Museum has a \$100,000 line of credit with Nicolet National Bank that is renewed annually. The line of credit at December 31, 2018 matures November 1, 2019. Borrowings under the line at December 31, 2018 bear interest at the prime rate plus 1.0% with a floor of 4.75% (6.25% at December 31, 2018), payable monthly, and collateralized by substantially all of the assets of the Museum. There was no amount outstanding on this line of credit at December 31, 2018 and 2017.

### Note 7 – In-Kind Contributions

During 2018 and 2017, the Museum received donated remodeling of certain exhibits, materials to enhance its exhibits and other services, as well as a variety of contributed services other than volunteer time staffing the exhibits. Donated remodeling costs, materials and services were recorded at estimated fair value as determined either by the donor or the Museum's management and board of directors. The 2018 and 2017 financial statements include \$57,188 and \$43,715, respectively, of in-kind contributions.

In-kind contributions related to property and equipment have been capitalized and included in contributions. In-kind contributions related to operations are included in contributions revenue and expenses.

**THE BUILDING FOR KIDS, INC.**

Notes to Financial Statements

December 31, 2018 and 2017

**Note 8 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Satisfaction of Purpose Restrictions		
Exhibits	\$ 155,409	\$ 475,546
Programming	17,021	17,887
Other Purposes	95,138	137,517
	<u>267,568</u>	<u>630,950</u>
Not Subject to Spending Policy or Appropriation		
Beneficial Interest in Assets Held by		
Community Foundation	323,693	323,008
	<u>\$ 591,261</u>	<u>\$ 953,958</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of Purpose Restrictions		
Exhibits	503,136	15,950
Programming	11,707	164,382
Other Purposes	60,682	155,662
	<u>\$ 575,525</u>	<u>\$ 335,994</u>

**Note 9 – Fair Value Measurements**

Generally accepted accounting principles provide 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Museum has the ability to access as of the measurement date.
- Level 2 Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs that are not corroborated by market data.

The asset 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 BUILDING FOR KIDS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

### Note 9 – Fair Value Measurements (Continued)

The Museum classifies its beneficial interest in assets held at the Community Foundation as Level 3 because they are valued by the Community Foundation and it is not possible to determine a daily value of the Museum's portion of the commingled investment portfolio. The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	2018	2017
Balance, Beginning of Year	\$ 352,036	\$ 319,435
Contributions	25,000	-
Interest and Dividends	6,935	6,590
Realized and Unrealized Gains	(30,934)	47,848
Less: Distributions	(14,792)	(16,781)
Less: Administrative Fees	(5,163)	(5,056)
Balance, End of Year	<u>\$ 333,082</u>	<u>\$ 352,036</u>

### Note 10 – Endowment Fund

The Financial Accounting Standards Board ("FASB"), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB also improved disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

Wisconsin enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 20, 2009. The Board of Directors of The Building for Kids, Inc. has interpreted the Wisconsin 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 any explicit donor stipulations to the contrary.

As a result of this interpretation, the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets subject to expenditure for specified purposes until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with the Wisconsin UPMIFA, the Museum 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 purposes of the Museum 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 or depreciation of investments.
6. Other resources of the Museum.

Investing Policy – The Building for Kids, Inc. follows the investment policy of the Community Foundation.

# THE BUILDING FOR KIDS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

## Note 10 – Endowment Fund (Continued)

Spending Policy – Income from the funds are restricted to the purpose of the donor restricted portion. Income for the board designated portion is to be used as directed by the board of directors. The Museum received \$14,792 and \$16,781 in distributions for the years ended December 31, 2018 and 2017. The Museum does not have a formal spending policy.

Nature of Restricted Net Assets – The amounts listed as not subject to spending policy or appropriation in Note 8 are required to be retained permanently either by explicit donor stipulation or by UPMIFA.

As of December 31, 2018 and 2017 the Museum had the following endowment net asset composition by type of fund:

	2018	2017
Donor Restricted Endowment Funds		
Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ 323,693	\$ 323,008
Accumulated Investment Earnings	35,076	79,029
Total	<u>\$ 358,769</u>	<u>\$ 402,037</u>

Changes in endowment net assets for the year ended December 31, 2018 and 2017 is as follows:

	2018	2017
Endowment Assets, Beginning of the Year	\$ 402,037	\$ 344,435
Contributions	685	25,000
Investment Income	6,936	6,590
Realized Gains	10,644	7,270
Unrealized Gains (Losses)	(41,578)	40,578
Distributions	(14,792)	(16,781)
Fees	(5,163)	(5,055)
Endowment Assets, End of Year	<u>\$ 358,769</u>	<u>\$ 402,037</u>

## Note 11 – Upcoming Accounting Pronouncements

The Financial Accounting Standards Board has issued an accounting update that will result in changes to the timing of when an organization will recognize income. Revenues will be recognized when the promised goods or services are transferred to its customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This update also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The provisions of this update are effective for the Museum's financial statements for the year ending December 31, 2019.

The Financial Accounting Standards Board has issued an accounting update that will result in the inclusion of restricted cash on the statement of cash flows. Transfers between cash and restricted cash will not be considered operating, investing or financing activities. A disclosure will be required to reconcile the components of total cash, cash equivalents and restricted cash as reported on the statement of cash flows with the corresponding line items on the statement of financial position. The update does not define "restricted cash." The provisions of this update are effective for the Museum's financial statements for the year ending December 31, 2019.