

**THE BUILDING FOR KIDS, INC.**

**Audited Financial Statements**

**For the Years Ended  
December 31, 2019 and 2018**

# THE BUILDING FOR KIDS, INC.

## Table of Contents

December 31, 2019 and 2018

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	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15



## 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, 2019 and 2018, 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, 2019 and 2018, 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.

*KerberRose SC*

**KerberRose SC**  
Certified Public Accountants  
Appleton, Wisconsin  
July 21, 2020

## **Financial Statements**

**THE BUILDING FOR KIDS, INC.**Statements of Financial Position  
As of December 31, 2019 and 2018

<b>ASSETS</b>	2019	2018
Cash and Cash Equivalents	\$ 507,619	\$ 404,916
Accounts Receivable	3,496	4,133
Prepaid Expenses	12,906	10,718
Unconditional Promises to Give	132,032	173,841
Security Deposit	3,000	-
Beneficial Interest in Assets Held at the Community Foundation	397,614	333,082
Cash Restricted for Long-Term Uses	685	37,856
Property and Equipment, Net	<u>1,656,758</u>	<u>1,917,251</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,714,110</u>	<u>\$ 2,881,797</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 77,731	\$ 82,475
Deferred Revenue	<u>158,072</u>	<u>154,696</u>
<b>TOTAL LIABILITIES</b>	<u>235,803</u>	<u>237,171</u>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	169,308	136,114
Designated:		
Property and Equipment	<u>1,656,758</u>	<u>1,917,251</u>
Total Net Assets Without Donor Restrictions	1,826,066	2,053,365
With Donor Restrictions	<u>652,241</u>	<u>591,261</u>
<b>TOTAL NET ASSETS</b>	<u>2,478,307</u>	<u>2,644,626</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,714,110</u>	<u>\$ 2,881,797</u>

See Accompanying Notes

**THE BUILDING FOR KIDS, INC.**  
Statement of Activities  
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUES AND OTHER SUPPORT</b>			
Contributions and Grants	\$ 153,773	\$ 265,520	\$ 419,293
Admissions	354,844	-	354,844
Membership	273,989	-	273,989
Program Revenue	73,900	-	73,900
Other Revenues	23,989	-	23,989
Net Assets Released from Restrictions by Satisfying Donor Stipulations	259,149	(259,149)	-
<b>Total Operating Revenues and Other Support</b>	<u>1,139,644</u>	<u>6,371</u>	<u>1,146,015</u>
<b>PROGRAM EXPENSES</b>	<u>1,057,951</u>	<u>-</u>	<u>1,057,951</u>
<b>SUPPORTING EXPENSES</b>			
Management and General	225,158	-	225,158
Fundraising	83,834	-	83,834
<b>Total Supporting Expenses</b>	<u>308,992</u>	<u>-</u>	<u>308,992</u>
<b>Total Expenses</b>	<u>1,366,943</u>	<u>-</u>	<u>1,366,943</u>
<b>Increase (Decrease) in Net Assets from Operating Activities</b>	<u>(227,299)</u>	<u>6,371</u>	<u>(220,928)</u>
<b>NONOPERATING ACTIVITIES</b>			
Gain on Beneficial Interest in Assets Held at the Community Foundation	-	54,609	54,609
<b>CHANGE IN NET ASSETS</b>	<u>(227,299)</u>	<u>60,980</u>	<u>(166,319)</u>
<b>NET ASSETS - BEGINNING</b>	<u>2,053,365</u>	<u>591,261</u>	<u>2,644,626</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,826,066</u>	<u>\$ 652,241</u>	<u>\$ 2,478,307</u>

See Accompanying Notes

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<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	<u>575,525</u>	<u>(575,525)</u>	<u>-</u>
<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>\$ 2,053,365</u>	<u>\$ 591,261</u>	<u>\$ 2,644,626</u>

See Accompanying Notes

**THE BUILDING FOR KIDS, INC.**  
Statement of Functional Expense  
For the Year Ended December 31, 2019

	<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	\$ 299,888	\$ 120,192	\$ 63,701	\$ 483,781
Other Employee Benefits	24,559	9,426	5,038	39,023
Payroll Taxes	25,007	9,597	5,130	39,734
Professional Fees	-	9,678	-	9,678
Design and Printing	1,660	-	-	1,660
Office Supplies and Expense	14,103	7,797	4,064	25,964
Occupancy Expenses	170,217	30,038	-	200,255
Cleaning Expenses	43,408	-	-	43,408
Equipment, Supplies, and Maintenance	30,010	-	-	30,010
Conferences and Meetings	-	4,245	-	4,245
Depreciation	268,412	14,127	-	282,539
Promotional Fees	46,937	-	5,901	52,838
Volunteer Expenses	199	-	-	199
Credit Card Fees	-	14,911	-	14,911
Program Expenses	26,909	-	-	26,909
Scholarships	69,176	-	-	69,176
Special Exhibits	34,676	-	-	34,676
Gift Shop Cost of Sales	2,790	-	-	2,790
Dues and Filing Fees	-	5,147	-	5,147
<b>TOTAL EXPENSES</b>	<u>\$ 1,057,951</u>	<u>\$ 225,158</u>	<u>\$ 83,834</u>	<u>\$ 1,366,943</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.**  
 Statements of Cash Flows  
 For the Year Ended December 31, 2019 and 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ (166,319)	\$ (71,447)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	282,539	246,519
In-Kind Donations of Property and Equipment	-	(25,699)
Return on Beneficial Interest in Assets Held at the Community Foundation	(54,609)	29,162
Contributions Restricted for Long-Term Purposes	-	(39,277)
Loss on Disposal of Building Improvements	-	8,639
Changes in Certain Assets and Liabilities:		
Unconditional Promises to Give	(35,000)	30,000
Accounts Receivable and Prepaid Expenses	(1,551)	(467)
Security Deposit	(3,000)	-
Accounts Payable and Accrued Expenses	(4,744)	(8,175)
Deferred Revenue	3,376	18,284
<b>Net Cash Flows From Operating Activities</b>	<u>20,692</u>	<u>187,539</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(22,046)	(542,314)
Additions to Investments at Community Foundation	(25,000)	-
Distributions from Investments at Community Foundation	15,077	14,792
<b>Net Cash Flows From Investing Activities</b>	<u>(31,969)</u>	<u>(527,522)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collection of Contributions Restricted for Long- Term Purposes:		
Exhibits	58,532	160,532
Endowment	-	25,000
Other	18,277	-
<b>Net Cash Flows From Financing Activities</b>	<u>76,809</u>	<u>185,532</u>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	 65,532	 (154,451)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 <u>442,772</u>	 <u>597,223</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u>\$ 508,304</u>	 <u>\$ 442,772</u>
 <b>RECONCILIATION OF CASH PER STATEMENT OF FINANCIAL POSITION TO STATEMENT OF CASH FLOWS</b>		
Cash and Cash Equivalents	\$ 507,619	\$ 404,916
Cash Restricted for Long-Term Uses	685	37,856
Total Cash	<u>\$ 508,304</u>	<u>\$ 442,772</u>

See Accompanying Notes

## **THE BUILDING FOR KIDS, INC.**

Notes to Financial Statements

December 31, 2019 and 2018

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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, 2019 and 2018 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, 2019 and 2018

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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, whereby 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 rental income. 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, 2019 and 2018

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

#### Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Museum adopted ASC 606 with a date of the initial application of January 1, 2019, using the full-retrospective method. There was no effect on net assets in connection with the implementation of ASU 606.

In June 2018, FASB issues ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Museum has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there was no effect on net assets in connection with the implementation of ASU 2018-08.

#### 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:

	2019	2018
Cash and Cash Equivalents	\$ 477,641	\$ 374,806
Accounts Receivable	3,496	4,133
Time Restrictions to be Met in Less Than Twelve Months	87,032	63,532
	<u>\$ 568,169</u>	<u>\$ 442,471</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 resourced 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 years ended December 31, 2019 and 2018. The promises to give at December 31, 2019 and 2018 are due as follows:

	2019	2018
Less Than One Year	\$ 87,032	\$ 63,532
One to Five Years	45,000	110,309
Total	<u>\$ 132,032</u>	<u>\$ 173,841</u>

Promises due in one or more years at December 31, 2019 and 2018 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, 2019 and 2018

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

As of December 31, 2019 and 2018 funds totaling \$397,614 and \$333,082, 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 \$15,077 and \$14,792 of distributions from the Foundation in 2019 and 2018, respectively.

### Note 5 – Property and Equipment

Property and equipment consists of the following at December 31, 2019 and 2018:

	2019	2018
Building and Improvements	\$ 1,626,176	\$ 1,626,176
Constructed Exhibits	3,680,407	3,692,180
Equipment	317,560	323,018
Construction in Process	3,500	3,500
Total Property and Equipment	<u>5,627,643</u>	<u>5,644,874</u>
Less: Accumulated Depreciation	<u>3,970,885</u>	<u>3,727,623</u>
Property and Equipment, Net	<u>\$ 1,656,758</u>	<u>\$ 1,917,251</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, 2019 matures November 1, 2020. Borrowings under the line at December 31, 2019 bear interest at the prime rate plus 1.0% with a floor of 4.75% (5.75% at December 31, 2019), 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, 2019 and 2018.

### Note 7 – In-Kind Contributions

During 2019 and 2018, 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 2019 and 2018 financial statements include \$42,792 and \$57,188, 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, 2019 and 2018

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

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

	<u>2019</u>	<u>2018</u>
Expiration of Time Restrictions	\$ 40,000	\$ -
Satisfaction of Purpose Restrictions		
Exhibits	82,032	155,409
Programming	21,725	17,021
Other Purposes	110,184	60,062
	<u>213,941</u>	<u>232,492</u>
Endowments		
Not Subject to Spending Policy or Appropriation		
Beneficial Interest in Assets Held by		
Community Foundation	323,693	323,693
Subject to Spending Policy or Appropriation		
Beneficial Interest in Assets Held by		
Community Foundation	<u>74,607</u>	<u>35,076</u>
	<u>398,300</u>	<u>358,769</u>
	<u>\$ 652,241</u>	<u>\$ 591,261</u>

**Note 9 – Retirement Plan**

The Museum has a 403(b) plan that covers substantially all employees of the Museum that have met one year service requirement. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Service. The Museum makes a matching contribution along with discretionary contribution. The Museum made contributions to the plan of \$8,489 and \$5,308 for the years ended December 31, 2019 and 2018, respectively.

**Note 10 – Lease**

The Museum leases office space under an operating lease. The lease expires December 31, 2021. The lease requires monthly lease payments of \$1,296, which increases annually by 2%. Rent expense for the lease amounted to \$15,558 and \$15,253 for the years ended December 31, 2019 and 2018, respectively.

The following is a schedule by year of future minimum rental payments required under the operating lease:

Year Ending December 31,	
2020	\$ 15,869
2021	<u>16,186</u>
	<u>\$ 32,055</u>

## THE BUILDING FOR KIDS, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

### Note 11 – 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 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:

	2019	2018
Balance, Beginning of Year	\$ 333,082	\$ 352,036
Contributions	25,000	25,000
Interest and Dividends	6,980	6,935
Realized and Unrealized Gains	51,294	(30,934)
Less: Distributions	(15,077)	(14,792)
Less: Administrative Fees	(3,665)	(5,163)
Balance, End of Year	<u>\$ 397,614</u>	<u>\$ 333,082</u>

### Note 12 – 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.



## THE BUILDING FOR KIDS, INC.

Notes to Financial Statements  
December 31, 2019 and 2018

### Note 12 – Endowment Fund (Continued)

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.

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 \$15,077 and \$14,792 in distributions for the years ended December 31, 2019 and 2018. 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, 2019 and 2018 the Museum had the following endowment net asset composition by type of fund:

	2019	2018
Donor Restricted Endowment Funds		
Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ 323,693	\$ 323,693
Accumulated Investment Earnings	74,607	35,076
Total	<u>\$ 398,300</u>	<u>\$ 358,769</u>

**THE BUILDING FOR KIDS, INC.**

Notes to Financial Statements

December 31, 2019 and 2018

**Note 12 – Endowment Fund (Continued)**

Changes in endowment net assets for the year ended December 31, 2019 and 2018 is as follows:

	2019	2018
Endowment Assets, Beginning of the Year	\$ 358,769	\$ 402,037
Contributions	-	685
Investment Income	6,980	6,936
Realized Gains	9,013	10,644
Unrealized Gains (Losses)	42,280	(41,578)
Distributions	(15,077)	(14,792)
Fees	(3,665)	(5,163)
	<u>\$ 398,300</u>	<u>\$ 358,769</u>
Endowment Assets, End of Year	<u>\$ 398,300</u>	<u>\$ 358,769</u>

**Note 13 – Subsequent Events**

Subsequent events were evaluated through July 21, 2020, which is the date the financial statements were available to be issued.

The Museum's operations have been affected by the recent outbreak of COVID-19, which was declared a global pandemic. The Museum has been closed since mid-March 2020. Museum staff have continued to provide reimagined programming for members and the community via social media platforms. The Museum opened for small group programming in mid-June 2020. The long-term disruption which will be caused by the pandemic is uncertain and the related financial impact and duration cannot be reasonably estimated.

**Note 14 – Upcoming Accounting Pronouncement**

The Financial Accounting Standards Board has issued an accounting update that will result in significant changes to financial reporting and disclosures related to both operating and capital leases. This update is intended to increase the transparency and comparability among companies that lease buildings, equipment, and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. The provisions of this update are effective for the Museum's financial statements for the year ending December 31, 2022.