

THE BUILDING FOR KIDS, INC.

Audited Financial Statements

**For the Years Ended
December 31, 2020 and 2019**

THE BUILDING FOR KIDS, INC.

Table of Contents

December 31, 2020 and 2019

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
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 - 16



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, 2020 and 2019, 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, 2020 and 2019, 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 28, 2021

FINANCIAL STATEMENTS

THE BUILDING FOR KIDS, INC.Statements of Financial Position
As of December 31, 2020 and 2019

ASSETS	2020	2019
Cash and Cash Equivalents	\$ 579,253	\$ 507,619
Accounts Receivable	24,496	3,496
Prepaid Expenses	10,081	12,906
Unconditional Promises to Give	210,000	132,032
Security Deposit	-	3,000
Beneficial Interest in Assets Held at the Community Foundation	410,419	397,614
Cash Restricted for Long-Term Uses	685	685
Property and Equipment, Net	<u>1,384,319</u>	<u>1,656,758</u>
TOTAL ASSETS	<u><u>\$ 2,619,253</u></u>	<u><u>\$ 2,714,110</u></u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 84,735	\$ 77,731
Deferred Revenue	42,363	158,072
Long-Term Debt	<u>117,397</u>	<u>-</u>
TOTAL LIABILITIES	<u>244,495</u>	<u>235,803</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	254,828	256,325
Designated for Property and Equipment	<u>1,384,319</u>	<u>1,656,758</u>
Total Net Assets Without Donor Restrictions	1,639,147	1,913,083
With Donor Restrictions	<u>735,611</u>	<u>565,224</u>
TOTAL NET ASSETS	<u>2,374,758</u>	<u>2,478,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,619,253</u></u>	<u><u>\$ 2,714,110</u></u>

See Accompanying Notes

THE BUILDING FOR KIDS, INC.
Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES AND OTHER SUPPORT			
Contributions and Grants	\$ 212,817	\$ 380,725	\$ 593,542
Admissions	84,531	-	84,531
Membership	205,716	-	205,716
Program Revenue	28,446	-	28,446
Other Revenues	19,058	-	19,058
Net Assets Released from Restrictions by Satisfying Donor Stipulations	238,887	(238,887)	-
Total Operating Revenues and Other Support	<u>789,455</u>	<u>141,838</u>	<u>931,293</u>
PROGRAM EXPENSES	<u>1,058,324</u>	<u>-</u>	<u>1,058,324</u>
SUPPORTING EXPENSES			
Management and General	194,664	-	194,664
Fundraising	48,115	-	48,115
Total Supporting Expenses	<u>242,779</u>	<u>-</u>	<u>242,779</u>
Total Expenses	<u>1,301,103</u>	<u>-</u>	<u>1,301,103</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>(511,648)</u>	<u>141,838</u>	<u>(369,810)</u>
OTHER CHANGES			
Cultural Organization Grant	137,712	-	137,712
Paycheck Protection Program Contribution	100,000	-	100,000
Gain on Beneficial Interest in Assets Held at the Community Foundation	-	28,549	28,549
Total Other Changes	<u>237,712</u>	<u>28,549</u>	<u>266,261</u>
CHANGE IN NET ASSETS	(273,936)	170,387	(103,549)
NET ASSETS - BEGINNING	<u>1,913,083</u>	<u>565,224</u>	<u>2,478,307</u>
NET ASSETS - ENDING	<u>\$ 1,639,147</u>	<u>\$ 735,611</u>	<u>\$ 2,374,758</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>
OPERATING REVENUES AND OTHER SUPPORT			
Contributions and Grants	\$ 257,438	\$ 161,855	\$ 419,293
Admissions	354,844	-	354,844
Membership	273,989	-	273,989
Program Revenue	73,899	-	73,899
Other Revenues	23,990	-	23,990
Net Assets Released from Restrictions by Satisfying Donor Stipulations	242,501	(242,501)	-
Total Operating Revenues and Other Support	<u>1,226,661</u>	<u>(80,646)</u>	<u>1,146,015</u>
PROGRAM EXPENSES	<u>1,057,951</u>	<u>-</u>	<u>1,057,951</u>
SUPPORTING EXPENSES			
Management and General	225,158	-	225,158
Fundraising	83,834	-	83,834
Total Supporting Expenses	<u>308,992</u>	<u>-</u>	<u>308,992</u>
Total Expenses	<u>1,366,943</u>	<u>-</u>	<u>1,366,943</u>
Decrease in Net Assets from Operating Activities	<u>(140,282)</u>	<u>(80,646)</u>	<u>(220,928)</u>
OTHER CHANGES			
Gain on Beneficial Interest in Assets Held at the Community Foundation	<u>-</u>	<u>54,609</u>	<u>54,609</u>
CHANGE IN NET ASSETS	(140,282)	(26,037)	(166,319)
NET ASSETS - BEGINNING	<u>2,053,365</u>	<u>591,261</u>	<u>2,644,626</u>
NET ASSETS - ENDING	<u>\$ 1,913,083</u>	<u>\$ 565,224</u>	<u>\$ 2,478,307</u>

See Accompanying Notes

THE BUILDING FOR KIDS, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
EXPENSES				
Salaries and Wages	\$ 305,759	\$ 81,491	\$ 32,367	\$ 419,617
Other Employee Benefits	29,336	7,612	2,976	39,924
Payroll Taxes	25,277	6,559	2,564	34,400
Professional Fees	-	10,116	-	10,116
Design and Printing	7,375	-	-	7,375
Office Supplies and Expense	14,947	8,263	4,307	27,517
Occupancy Expenses	287,689	50,769	-	338,458
Cleaning Expenses	27,804	-	-	27,804
Equipment, Supplies, and Maintenance	18,538	-	-	18,538
Conferences and Meetings	-	1,234	-	1,234
Depreciation	265,758	13,987	-	279,745
Promotional Fees	3,780	-	5,901	9,681
Volunteer Expenses	-	4,334	-	4,334
Credit Card Fees	-	5,202	-	5,202
Program Expenses	37,911	-	-	37,911
Scholarships	30,551	-	-	30,551
Special Exhibits	2,658	-	-	2,658
Gift Shop Cost of Sales	941	-	-	941
Dues and Filing Fees	-	5,097	-	5,097
TOTAL EXPENSES	<u>\$ 1,058,324</u>	<u>\$ 194,664</u>	<u>\$ 48,115</u>	<u>\$ 1,301,103</u>

THE BUILDING FOR KIDS, INC.
Statement of Functional Expenses
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>	
EXPENSES				
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
TOTAL EXPENSES	\$ 1,057,951	\$ 225,158	\$ 83,834	\$ 1,366,943

See Accompanying Notes

THE BUILDING FOR KIDS, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (103,549)	\$ (166,319)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	279,745	282,539
Return on Beneficial Interest in Assets Held at the Community Foundation	(28,549)	(54,609)
Changes in Certain Assets and Liabilities:		
Unconditional Promises to Give	(120,000)	(35,000)
Accounts Receivable	(21,000)	637
Prepaid Expenses	2,825	(2,188)
Security Deposit	3,000	(3,000)
Accounts Payable and Accrued Expenses	7,004	(4,744)
Deferred Revenue	(115,709)	3,376
Net Cash Flows From Operating Activities	<u>(96,233)</u>	<u>20,692</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(7,306)	(22,046)
Additions to Investments at Community Foundation	-	(25,000)
Distributions from Investments at Community Foundation	15,744	15,077
Net Cash Flows From Investing Activities	<u>8,438</u>	<u>(31,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	125,000	-
Payments on Long-Term Debt	(7,603)	-
Collection of Contributions Restricted for Long - Term Purposes:		
Exhibits	42,032	58,532
Other	-	18,277
Net Cash Flows From Financing Activities	<u>159,429</u>	<u>76,809</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	71,634	65,532
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>508,304</u>	<u>442,772</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 579,938</u>	<u>\$ 508,304</u>
RECONCILIATION OF CASH PER STATEMENT OF FINANCIAL POSITION TO STATEMENT OF CASH FLOWS		
Cash and Cash Equivalents	\$ 579,253	\$ 507,619
Cash Restricted for Long-Term Uses	685	685
Total Cash	<u>\$ 579,938</u>	<u>\$ 508,304</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash Paid for Interest	<u>\$ 4,334</u>	<u>\$ -</u>

See Accompanying Notes

THE BUILDING FOR KIDS, INC.

Notes to Financial Statements
December 31, 2020 and 2019

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 with a maturity of three months or less when purchased to be cash equivalents. Cash restricted for long-term purposes at December 31, 2020 and 2019 relates primarily to construction of future exhibits.

The Museum maintains its cash balances at multiple financial institutions. At December 31, 2020 and 2019, the balances are insured by the National Credit Union Association or Federal Deposit Insurance Corporation up to \$250,000 per institution. The Museum's balance may exceed this at various times during the year. At December 31, 2020 and 2019, there was approximately \$139,000 and \$95,000 of uninsured cash, respectively. The Museum has not experienced any losses in such accounts. Management does not believe it is exposed to any significant credit risk.

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.

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.

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.

THE BUILDING FOR KIDS, INC.

Notes to Financial Statements
December 31, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

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 and COVID related revenues.

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.

The Museum's operations have been affected by the outbreak of COVID-19, which was declared a pandemic. The ultimate disruption, which may be caused by the pandemic, is uncertain and the related financial impact and duration cannot be reasonably estimated.

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, 2020 and 2019**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:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 579,253	\$ 507,619
Accounts Receivable	24,496	3,496
Unconditional Promises to Give	210,000	132,032
Beneficial Interest in Assets Held at the Community Foundation	410,419	397,614
	<u>1,224,168</u>	<u>1,040,761</u>
Less Amounts not Available to be Used within One Year		
Net Assets With Donor Restrictions	735,611	565,224
Less Net Assets with Purpose Restrictions to be Met in Less Than One Year	<u>(233,806)</u>	<u>(121,924)</u>
	<u>501,805</u>	<u>443,300</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 722,363</u>	<u>\$ 597,461</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 years ended December 31, 2020 and 2019. The promises to give at December 31 are due as follows:

	<u>2020</u>	<u>2019</u>
Less Than One Year	\$ 105,000	\$ 87,032
One to Five Years	<u>105,000</u>	<u>45,000</u>
Total	<u>\$ 210,000</u>	<u>\$ 132,032</u>

Promises due in one or more years at December 31, 2020 and 2019 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, 2020 and 2019

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

As of December 31, 2020 and 2019 funds totaling \$410,419 and \$397,614, 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 \$15,744 and \$15,077 of distributions from the Foundation in 2020 and 2019, respectively.

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building and Improvements	\$ 1,628,432	\$ 1,626,176
Constructed Exhibits	3,683,707	3,680,407
Equipment	310,252	317,560
Construction in Process	3,500	3,500
Total Property and Equipment	<u>5,625,891</u>	<u>5,627,643</u>
Less: Accumulated Depreciation	<u>4,241,572</u>	<u>3,970,885</u>
Property and Equipment, Net	<u>\$ 1,384,319</u>	<u>\$ 1,656,758</u>

Note 6 – Line of Credit

The Museum has a \$100,000 line of credit with Nicolet National Bank that is renewed annually. The line of credit at December 31, 2020 matures November 1, 2021. Borrowings under the line at December 31, 2020 bear interest at the prime rate plus 1.0% with a floor of 3.25% (effectively 5.25% at December 31, 2020), 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, 2020 and 2019.

Note 7 – Long Term Debt

On February 19, 2020, the Museum received a loan in the amount of \$125,000. The loan was taken in conjunction with capital improvements made to the condominium association of which the Museum is a member. This represents the Museum's portion of the capital improvements and is part of occupancy expenses. The loan bears interest a fixed rate of 4.25%, with payments of \$2,319 (principal and interest) per month, effective March 19, 2020 through February 19, 2025. As of December 31, 2020 the remaining balance of loan is \$117,397.

The future minimum maturities for the years ending December 31 are as follows:

2021	\$	23,165
2022		24,249
2023		25,315
2024		26,423
2025		18,245
	<u>\$</u>	<u>117,397</u>

THE BUILDING FOR KIDS, INC.

Notes to Financial Statements
December 31, 2020 and 2019

Note 8 – In-Kind Contributions

During 2020 and 2019, 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 2020 and 2019 financial statements include \$9,936 and \$42,792, respectively, of in-kind contributions.

In-kind contributions related to operations are included in contributions revenue and expenses.

Note 9 – Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions	\$ 205,000	\$ 40,000
Satisfaction of Purpose Restrictions		
Exhibits	25,000	82,032
Programming	44,952	21,725
Other Purposes	63,854	23,167
	<u>133,806</u>	<u>126,924</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	87,412	74,607
	<u>411,105</u>	<u>398,300</u>
	<u>\$ 749,911</u>	<u>\$ 565,224</u>

Note 10 – Revenue from Contracts with Customers

In accordance with Topic 606, the Museum accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the Museum will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

The Museum generates revenue from the following activities:

- Counseling services – service fees for counseling provided to patients
- Wellness screen services – services provided to local school districts and others for mental health

THE BUILDING FOR KIDS, INC.Notes to Financial Statements
December 31, 2020 and 2019**Note 10 – Revenue from Contracts with Customers (Continued)**Disaggregation of Revenue

The table below presents net sales disaggregated by timing of revenue recognition and segment:

2020		
<u>Segments</u>	<u>Museum Membership</u>	<u>Daily Admission</u>
Timing of Revenue Recognition		
Services Transferred at a Point in Time	\$ -	\$ 84,531
Services Transferred Over Time	205,716	-
	<u>\$ 205,716</u>	<u>\$ 84,531</u>
2019		
<u>Segments</u>	<u>Museum Membership</u>	<u>Daily Admission</u>
Timing of Revenue Recognition		
Services Transferred at a Point in Time	\$ -	\$ 354,844
Services Transferred Over Time	273,989	-
	<u>\$ 273,989</u>	<u>\$ 354,844</u>

Opening and Closing Balances of Receivables and Liabilities

The following table provides information about accounts receivable and deferred revenue balances:

	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Accounts Receivable	\$ -	\$ -
Deferred Income	42,363	158,072

Practical Expedients

The Museum has elected to apply the following practical expedients when determining revenue from contracts with customers and capitalization of related costs:

- The Museum has elected to not adjust revenue for the effects of a significant finance component when the timing difference between receipt of payment and recognition of revenue is less than one year.
- The Museum has elected to expense incremental costs to obtain a contract when the amortization period of the related assets is expected to be less than one year.

Note 11 – Retirement Plan

The Museum has a Simple IRS 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 \$8,156 and \$8,489 for the years ended December 31, 2020 and 2019, respectively.

THE BUILDING FOR KIDS, INC.

Notes to Financial Statements
December 31, 2020 and 2019

Note 12 – 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:

	<u>2020</u>	<u>2019</u>
Balance, Beginning of Year	\$ 397,614	\$ 333,082
Contributions	-	25,000
Interest and Dividends	3,968	6,980
Realized and Unrealized Gains	28,107	51,294
Less: Distributions	(15,744)	(15,077)
Less: Administrative Fees	(3,526)	(3,665)
Balance, End of Year	<u>\$ 410,419</u>	<u>\$ 397,614</u>

Note 13 – 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, 2020 and 2019

Note 13 – 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. The Museum received \$15,744 and \$15,077 in distributions for the years ended December 31, 2020 and 2019. 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 9 are required to be retained permanently either by explicit donor stipulation or by UPMIFA.

As of December 31, 2020 and 2019 the Museum had the following endowment net asset composition by type of fund:

	<u>2020</u>	<u>2019</u>
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	<u>87,412</u>	<u>74,607</u>
Total	<u>\$ 411,105</u>	<u>\$ 398,300</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Endowment Assets, Beginning of the Year	\$ 398,300	\$ 358,769
Investment Income	3,968	6,980
Realized Gains	(924)	9,013
Unrealized Gains	29,031	42,280
Distributions	(15,744)	(15,077)
Fees	<u>(3,526)</u>	<u>(3,665)</u>
Endowment Assets, End of Year	<u>\$ 411,105</u>	<u>\$ 398,300</u>

THE BUILDING FOR KIDS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 14 – Paycheck Protection Program Contribution

On April 20, 2020, the Museum qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$100,000. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest will only be charged if the SBA determines the loan is not eligible for forgiveness (in whole or in part) or if the Museum does not apply for loan forgiveness within ten months of the end of their covered period.

Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted forgiveness for all, or a portion of the PPP loan and accrued interest. Such forgiveness will be determined, subject to limitations, based on the use of PPP loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, covered operations expenditures, covered property damage, covered suppliers costs, and covered worker protection expenditures, and retention of employees and maintaining salary level. However, no assurance is provided that forgiveness for any PPP loan will be obtained.

As of December 31, 2020, the Museum has used the full amount received to fund eligible payroll, rent, and utility expense under the terms of the PPP loan. As a result, the Museum has received full forgiveness and has concluded that the PPP loan represents, in substance, funds provided under a government grant. As such, the Museum has recognized the PPP loan proceeds for the year ended December 31, 2020 as contribution revenue.

Notes 15 – Reclassification of Beginning Net Assets

During the year ended December 31, 2020, the Museum became aware that the net assets with donor restrictions were improperly recorded as of December 31, 2019. The Museum determined the financial statements in the prior year improperly overstated net assets with donor restrictions by \$87,017. Accordingly, the Museum has reclassified prior year financial statements to correct this. There was no effect on the change of net assets for the year ended December 31, 2019.

Note 16 – Subsequent Events

Subsequent events were evaluated through July 28, 2021, which is the date the financial statements were available to be issued.

The Museum's operations continue to be affected by the outbreak of COVID-19, which was declared a global pandemic. The Museum applied for and was approved for the second draw of the Paycheck Protection Program. The Museum received a loan of \$108,640 on March 17, 2021. This loan is expected to be fully forgiven. The Museum also applied for and received a grant of \$210,737 from the Shuttered Venues Program from the Small Business Association.

The Building for Kids, Inc. closed due to COVID-19 on March 13th, 2020 to all visitors and staff. The Museum began the phased reopening with limited preregistered access on June 16th, 2020. Small group programming and individual household exhibit exploration were available to those who registered. During the Museum closure and phased reopening virtual programming, pick-up kits, and virtual Discovery Classes were also offered to our children, families, and schools. Throughout this time, the Museum worked in partnership with local public health officials to prioritize the health and safety of our visitors and community.