

# **KABOOM!, INC.**

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Consolidated Financial Statements  
For the Years Ended  
December 31, 2020 and 2019  
and  
Report Thereon

# KABOOM!, INC.

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**LANE & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of  
KaBOOM!, Inc.

We have audited the accompanying consolidated financial statements of KaBOOM!, Inc. (KABOOM!) which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

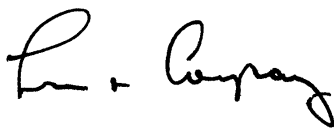
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated 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 consolidated 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 estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KABOOM! 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.

A handwritten signature in black ink, appearing to read "L. + Company".

Washington, DC, USA  
April 1, 2021

# KABOOM!, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 and 2019

	2020	2019
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 1,146,310	\$ 1,061,527
Contributions and program services receivable (Note 3)	510,384	1,036,013
Accounts receivable	336,418	478,695
Investments (Note 5)	5,370,262	2,352,381
Prepaid expenses (Note 6)	170,117	212,836
Other assets	24,961	34,956
Total Current Assets	7,558,452	5,176,408
Property and equipment, net (Note 7)	250,640	405,828
Intangibles, net (Note 7)	1,162	88,626
Investments (Note 5)	11,298,893	16,242,867
Total Assets	\$ 19,109,147	\$ 21,913,729
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,163,262	\$ 2,046,235
Grants payable (Note 8)	1,520,000	488,628
Deferred revenue (Note 9)	2,127,966	1,572,771
Deferred rent (Note 14)	342,986	296,503
Total Current Liabilities	5,154,215	4,404,138
Loan payable (Note 19)	150,000	-
Total Liabilities	5,304,215	4,404,138
Net Assets		
Without donor restrictions	11,269,473	13,555,369
With donor restrictions (Note 10)	2,535,459	3,954,222
Total Net Assets	13,804,932	17,509,591
Total Liabilities and Net Assets	\$ 19,109,147	\$ 21,913,729

The accompanying notes are an integral part of these financial statements.

## KABOOM!, INC.

### CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
<b>REVENUES</b>						
Contracted Program Services	\$ 5,768,111	\$ -	\$ 5,768,111	\$ 15,048,967	\$ -	\$ 15,048,967
Contributions and Grants	3,166,366	633,485	3,799,851	6,440,399	3,954,222	10,394,621
Government Grants	-	1,624,600	1,624,600	-	-	-
In-Kind Contributions	220,485	-	220,485	423,545	-	423,545
Released From Restrictions	<u>3,676,848</u>	<u>(3,676,848)</u>	<u>-</u>	<u>3,838,846</u>	<u>(3,838,846)</u>	<u>-</u>
<b>Total Revenues</b>	<u>12,831,810</u>	<u>(1,418,763)</u>	<u>11,413,047</u>	<u>25,751,757</u>	<u>115,376</u>	<u>25,867,133</u>
<b>EXPENSES</b>						
Programs	13,565,360	-	13,565,360	23,114,342	-	23,114,342
Development	1,398,638	-	1,398,638	2,569,178	-	2,569,178
Management and General	<u>1,209,285</u>	<u>-</u>	<u>1,209,285</u>	<u>1,502,369</u>	<u>-</u>	<u>1,502,369</u>
<b>Total Expenses</b>	<u>16,173,283</u>	<u>-</u>	<u>16,173,283</u>	<u>27,185,889</u>	<u>-</u>	<u>27,185,889</u>
Change in Net Assets from Operations	(3,341,473)	(1,418,763)	(4,760,236)	(1,434,132)	115,376	(1,318,756)
Investment Income/(Loss), net	<u>1,055,577</u>	<u>-</u>	<u>1,055,577</u>	<u>2,592,845</u>	<u>-</u>	<u>2,592,845</u>
<b>CHANGE IN NET ASSETS</b>	(2,285,896)	(1,418,763)	(3,704,659)	1,158,713	115,376	1,274,089
NET ASSETS—Beginning of year	<u>13,555,369</u>	<u>3,954,222</u>	<u>17,509,591</u>	<u>12,396,656</u>	<u>3,838,846</u>	<u>16,235,502</u>
NET ASSETS—End of year	<u>\$ 11,269,473</u>	<u>\$ 2,535,459</u>	<u>\$ 13,804,932</u>	<u>\$ 13,555,369</u>	<u>\$ 3,954,222</u>	<u>\$ 17,509,591</u>

The accompanying notes are an integral part of these financial statements.

**KABOOM!, INC.**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Direct Impact	Thought Leadership	Programs Total	Development	Management & General	Total
<b>Construction</b>	3,208,096	-	3,208,096	-	-	3,208,096
<b>Employee Expenses</b>	4,717,966	1,314,568	6,032,534	1,119,137	846,032	7,997,703
<b>Grants Expenses</b>	2,521,070	-	2,521,070	-	-	2,521,070
<b>Professional Services</b>	501,146	105,442	606,588	38,650	62,991	708,229
<b>Property and Maintenance</b>	306,529	81,347	387,876	96,217	144,846	628,939
<b>Depreciation</b>	118,758	31,830	150,588	37,276	54,788	242,652
<b>Bad Debt</b>	24,785	-	24,785	-	-	24,785
<b>Reproduction and Delivery</b>	38,162	4,895	43,057	1,977	2,527	47,561
<b>Information Technology</b>	99,216	64,658	163,874	30,805	38,005	232,684
<b>Conferences</b>	9,981	1,952	11,933	2,858	-	14,791
<b>Travel and Entertainment</b>	60,516	4,588	65,104	4,496	6,179	75,779
<b>Telecommunications</b>	83,705	16,939	100,644	29,508	4,392	134,544
<b>Marketing</b>	29,800	106,144	135,944	663	-	136,607
<b>Office Expenses</b>	82,865	30,402	113,267	37,051	49,525	199,843
<b>Total Expenses</b>	<b>11,802,595</b>	<b>1,762,765</b>	<b>13,565,360</b>	<b>1,398,638</b>	<b>1,209,285</b>	<b>16,173,283</b>
<b>Percentage</b>			<b>84%</b>	<b>9%</b>	<b>7%</b>	

The accompanying notes are an integral part of these financial statements.

**KABOOM!, INC.**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Thought Direct Impact</b>	<b>Leadership</b>	<b>Programs Total</b>	<b>Development</b>	<b>Management &amp; General</b>	<b>Total</b>
<b>Construction</b>	10,134,916	-	10,134,916	-	-	10,134,916
<b>Employee Expenses</b>	6,084,123	1,549,853	7,633,976	1,865,724	1,001,519	10,501,219
<b>Grants Expenses</b>	1,711,958	-	1,711,958	-	-	1,711,958
<b>Professional Services</b>	953,010	270,833	1,223,843	256,291	167,689	1,647,823
<b>Property and Maintenance</b>	318,316	74,778	393,094	103,922	140,244	637,260
<b>Depreciation</b>	123,151	30,811	153,962	40,206	54,810	248,978
<b>Reproduction and Delivery</b>	93,940	31,240	125,180	8,353	5,917	139,450
<b>Information Technology</b>	135,559	58,540	194,099	66,188	44,860	305,147
<b>Conferences</b>	42,848	14,830	57,678	11,949	-	69,627
<b>Travel and Entertainment</b>	958,949	49,069	1,008,018	123,850	28,280	1,160,148
<b>Telecommunications</b>	89,291	16,397	105,688	33,245	3,116	142,049
<b>Marketing</b>	83,327	167,019	250,346	7,363	-	257,709
<b>Office Expenses</b>	98,423	23,161	121,584	52,087	55,934	229,605
<b>Total Expenses</b>	<b>20,827,811</b>	<b>2,286,531</b>	<b>23,114,342</b>	<b>2,569,178</b>	<b>1,502,369</b>	<b>27,185,889</b>
<b>Percentage</b>			<b>85%</b>	<b>9%</b>	<b>6%</b>	

The accompanying notes are an integral part of these financial statements.



# KABOOM!, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (3,704,659)	\$ 1,274,089
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	242,652	248,977
Loss on disposal of equipment	-	6,877
Realized/unrealized gain on investments	(846,166)	(2,168,346)
Changes in assets and liabilities:		
(Increase) / Decrease in:		
Contributions and Program Services Receivable	525,629	632,337
Accounts Receivable	142,277	(23,439)
Prepaid Expenses	42,718	(125,003)
Other Assets	9,994	28,322
Increase / (Decrease) in:		
Accounts Payable and Accrued Expenses	(882,974)	(598,130)
Grants Payable	1,031,372	93,090
Deferred Revenue	555,196	(1,569,586)
Deferred Rent	46,483	(181,095)
Net Cash Used in Operating Activities	<u>(2,837,478)</u>	<u>(2,381,907)</u>
Cash Flows Provided by Investing Activities:		
Purchases of property and equipment	-	(1,534)
Proceeds from sale of investments	6,097,148	5,609,077
Purchase of investments	<u>(3,324,887)</u>	<u>(3,493,658)</u>
Net Cash Provided by Investing Activities	<u>2,772,261</u>	<u>2,113,885</u>
Cash Flows Provided by Financing Activities:		
Proceeds from loan	<u>150,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>150,000</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	84,783	(268,022)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>1,061,527</u>	<u>1,329,549</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 1,146,310</u>	<u>\$ 1,061,527</u>
Supplemental disclosure:		
Donated Securites	<u>\$ 3,093</u>	<u>\$ 2,776</u>

The accompanying notes are an integral part of these financial statements.

**KABOOM!, INC.**  
**Notes to Consolidated Financial Statements**

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## 1. ORGANIZATION

**KaBOOM!, Inc.**, a District of Columbia nonprofit corporation, which we refer to as **KABOOM!**, is a publicly supported 501(c)(3) national non-profit that works to end playspace inequity by building inspiring, kid-designed playspaces that spark unlimited opportunities for every kid, everywhere. Since 1996, KABOOM! has collaborated with partners to build or restore 17,000+ playspaces, engaged more than 1.5 million volunteers and brought joy to 11 million kids. KABOOM! is headquartered in Washington, D.C.

KABOOM! has teamed up with bold, inspiring partners and community members, starting with the kids themselves, to build incredible places to play, inspired by their design, courage and leadership. KABOOM! does this through:

- **Direct Impact Offerings:** KABOOM! seeks to end playspace inequity by addressing the disparities in access to quality places to play. KABOOM! playspaces include playspace projects (playgrounds, multisport courts, and adventure course), Play Everywhere, and Build It Yourself grants, each designed to meet the unique needs and desires of the communities we work with.
- **Thought Leadership:** Through media opportunities, conference attendance and developing relationships with influencers, funders, city leaders and community advocates, KABOOM! seeks to lead the conversation and drive communications to support the advancement of its mission and to educate and inspire stakeholders and communities to take action to ensure kids have the opportunities to thrive.

KaBOOM! Play Initiatives, LLC ("KPI"), a wholly owned subsidiary of KABOOM!, is a Delaware limited liability company that was formed in 2013 to pursue certain play initiatives in furtherance of KABOOM!'s mission.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Principals of Consolidation*** – The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and, as a result, all significant intercompany balances and transactions have been eliminated in consolidation.

***Basis of Accounting*** – KABOOM! maintains its accounts on the accrual basis of accounting and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Revenues are recognized when earned and expenses are recorded when incurred. Contracted program services are deemed to be exchange transactions, which are recorded as deferred revenue when received and recognized as revenue without donor restrictions upon performance or incurrence of expenditures related to such services. Contributions and grants received without restrictions are recognized as revenue without donor restrictions when received or unconditionally promised, whichever comes first. Contributions and grants received with donor-imposed restrictions are reported as revenue with donor restrictions.

***Basis of Presentation*** – Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions or conditions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

**KABOOM!, INC.**  
**Notes to Consolidated Financial Statements**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***With donor restrictions*** – Contributions and grants pending satisfaction of donor-imposed, time or purpose restrictions are reported as revenue with donor restrictions. Donor-imposed restrictions satisfied in the year received are recognized as revenue without donor restrictions.

***Without donor restrictions*** –Net assets without donor restrictions result from revenues and other inflows of assets the use of which by KABOOM! is not limited by donor-imposed restrictions or conditions and are available for use in the general operations of KABOOM!.

The Board of Directors has designated \$4,500,000 as of December 31, 2020 and 2019 to be held in reserve to support future years' operations, provide a resource for unexpected downturns, and provide a source of investment in the organization. Any use of these funds must be approved by the Board.

***Cash and Cash Equivalents*** – KABOOM! considers all unrestricted highly liquid investments with an original maturity of less than 90 days to be cash equivalents.

***Property, Equipment and Intangibles*** – Property, equipment and intangibles are stated at cost if purchased and at fair market value if donated. Property, equipment and intangibles are depreciated and amortized using the straight-line method over estimated useful lives of three to seven years with no salvage value. Expenditures for major additions and improvements that extend the useful lives of fixed assets are capitalized as property and equipment while maintenance and repairs are expensed in the year incurred.

Intangibles consist of the cost of developing the KABOOM! internet website and staff intranet. This cost is amortized by the straight-line method over an estimated useful life of three years and seven years, respectively.

***Other Assets*** – Other assets consist of inventory of build day supplies, publications and deposits. The inventory is stated at cost determined by the specific identification method.

***In-Kind Support*** – KABOOM! receives playground equipment, building supplies, marketing, advertising, and legal services that are recorded at fair value as income and expense at the time the items are received.

***Use of Estimates*** – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Concentrations of Credit Risk*** – KABOOM! bank accounts, consisting of checking and money market accounts, are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits in excess of federally insured limits were \$664,591 and \$705,199 at December 31, 2020 and 2019, respectively.

**KABOOM!, INC.**  
**Notes to Consolidated Financial Statements**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adopted Accounting Standards Updates** – During the year ended December 31, 2019, KABOOM! adopted FASB ASU 2014-19, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2019-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

ASU 2014-19 was issued by FASB to clarify the principles for recognizing revenue for any entity that enters into contracts with customers to transfer goods and services or enters into contracts for the transfer of nonfinancial assets within the scope of this standard. ASU 2014-09 established a five-step process to identify, allocate, and recognize exchange transactions derived from contracts with customers.

ASU 2019-08 clarified and improved the guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provided a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

**Functional Allocation of Expenses** – The costs of providing various KABOOM! programs and supporting services have been summarized on a functional basis. Overhead costs that cannot be specifically identified with a program or supporting service are allocated to the programs and supporting services based on salary allocations and management estimates.

**Recent Accounting Pronouncements**– In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in calendar year 2022.

KABOOM! is evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

**3. CONTRIBUTIONS & PROGRAM SERVICES RECEIVABLE**

Contributions and program services receivable, net of allowances, at December 31 are as follows:

	<b>2020</b>	<b>2019</b>
Contributions and program services receivable	\$ 560,384	\$ 1,086,013
Less: Allowance for Doubtful Accounts	<u>(50,000)</u>	<u>(50,000)</u>
Contributions and Program Services Receivable, net	<u>\$ 510,384</u>	<u>\$ 1,036,013</u>

**KABOOM!, INC.**  
**Notes to Consolidated Financial Statements**

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**4. CONTRACTED PROGRAM SERVICES**

KABOOM! has executed program service contracts that are conditional upon future events, as follows:

	<b>2020</b>	<b>2019</b>
Playground construction and other project completion	<u>\$ 3,872,095</u>	<u>\$ 3,209,699</u>

These promises will not be recognized as contracted program services receivable or revenue until the conditions on which they depend are substantially met. Funds for contracted program services have not been received.

**5. INVESTMENTS**

KABOOM! classifies Investments as Current or Non-Current based on duration of original maturity, with Current Investments having original maturity of one year or less and Non-Current Investments having original maturity of greater than one year. At December 31, investments consist of the following:

	<b>2020</b>	<b>2019</b>
Federated Prime Obligations Fund - current	<u>\$ 5,370,262</u>	<u>\$ 2,352,381</u>
Conservative Intermediate Term	\$ 3,514,166	\$ 6,125,960
Moderate Growth Income Portfolio	<u>7,784,727</u>	<u>10,116,907</u>
Investments - noncurrent	<u>\$ 11,298,893</u>	<u>\$ 16,242,867</u>

*Current Investments* – The federated prime obligations fund is a mutual fund that seeks current income consistent with minimum volatility and invests primarily in securities that are issued or guaranteed by the U.S. government, its agencies or instrumentalities. KABOOM! invested cash in excess of weekly requirements in this fund in 2020.

*Non-Current Investments* – The conservative intermediate term portfolio is a managed selection of mutual funds to fit a conservative investment style that has an average maturity of five years. The moderate growth income portfolio is a managed selection of mutual funds compiled to fit a moderate growth and income investment style utilizing a broad spectrum of asset classes.

The following schedule summarizes investment income:

	<b>2020</b>	<b>2019</b>
Interest and dividends	\$ 323,352	\$ 540,695
Net realized and unrealized gain	<u>846,166</u>	<u>2,168,346</u>
Total Investment Income	1,169,518	2,709,041
Less: Investment Expense	<u>(113,941)</u>	<u>(116,196)</u>
Investment Income, net	<u>\$ 1,055,577</u>	<u>\$ 2,592,845</u>

**KABOOM!, INC.**  
**Notes to Consolidated Financial Statements**

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**5. INVESTMENTS (CONTINUED)**

Financial Accounting Standards Board Accounting Standards Codification 820, Fair Value Measurements, requires disclosure of a fair-value hierarchy of inputs KABOOM! uses to value an asset or liability. The three levels of the fair-value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace; and

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments, recorded at fair value, consisted of the following at December 31:

	Level 1	Level 2	Level 3
<b>2020</b>			
Federated Prime Obligations Fund	\$ 5,370,262	\$ -	\$ -
Conservative Intermediate Term	3,514,166	-	-
Moderate Growth Income Portfolio	7,784,727	-	-
<b>2020 Totals</b>	<b>\$ 16,669,155</b>	<b>\$ -</b>	<b>\$ -</b>
<b>2019</b>			
Federated Prime Obligations Fund	\$ 2,352,381	\$ -	\$ -
Conservative Intermediate Term	6,125,960	-	-
Moderate Growth Income Portfolio	10,116,907	-	-
<b>2019 Totals</b>	<b>\$ 18,595,248</b>	<b>\$ -</b>	<b>\$ -</b>

**6. PREPAID EXPENSES**

At December 31, prepaid expenses consisted of the following:

	2020	2019
Other Prepaid Expenses	\$ 59,114	\$ 86,587
Prepaid Insurance	111,003	126,249
<b>Prepaid Expenses</b>	<b>\$ 170,117</b>	<b>\$ 212,836</b>

**KABOOM!, INC.**  
**Notes to Consolidated Financial Statements**

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**7. PROPERTY, EQUIPMENT AND INTANGIBLES**

At December 31, property and equipment consisted of the following:

	<b>2020</b>	<b>2019</b>
Property and Equipment	\$ 917,420	\$ 917,420
Leasehold improvements	1,176,295	1,176,295
Vehicles	<u>56,575</u>	<u>56,575</u>
Total property and equipment	2,150,290	2,150,290
Less: Accumulated Depreciation	<u>(1,899,650)</u>	<u>(1,744,462)</u>
Property and Equipment, net	<u>\$ 250,640</u>	<u>\$ 405,828</u>

Depreciation expense for 2020 and 2019 was \$155,188 and \$161,395, respectively.

At December 31, intangibles were as follows:

	<b>2020</b>	<b>2019</b>
Total Costs	\$ 1,441,555	\$ 1,441,555
Less: Accumulated Amortization	<u>(1,440,393)</u>	<u>(1,352,929)</u>
Intangibles, net	<u>\$ 1,162</u>	<u>\$ 88,626</u>

Amortization expense for 2020 and 2019 was \$87,464 and \$87,582, respectively.

**8. GRANTS PAYABLE**

Grants payable consist of commitments outstanding related to amounts awarded to community groups to fund all or a portion of playground-related or similar projects under initiatives underwritten by corporate or other funding sponsors. These one year commitments are fulfilled at the time such projects are completed. At December 31, 2020 and 2019, grants payable were \$1,520,000 and \$488,628, respectively.

**9. DEFERRED REVENUE**

Deferred revenue is comprised of contracted program services for projects and programs that have not yet been completed but for which payments have been received in advance. The terms of the agreements for these services require that certain conditions must be met or the unspent funds are to be returned. Once these conditions are satisfied the funds are moved from deferred and recognized as revenue without donor restrictions. Deferred revenue was \$2,127,966 and \$1,572,771 at December 31, 2020 and 2019, respectively.

**KABOOM!, INC.**  
**Notes to Consolidated Financial Statements**

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**10. NET ASSETS WITH DONOR RESTRICTIONS**

Contributions and grants pending satisfaction of donor-imposed restrictions are reported as revenue with donor restrictions. At December 31, net assets with donor restrictions consisted of:

	<b>2020</b>	<b>2019</b>
Foundation Grants for Direct Impact Programming	<u>\$ 2,535,459</u>	<u>\$ 3,954,222</u>

**11. IN-KIND CONTRIBUTIONS**

KABOOM! receives playground equipment, building supplies, marketing, advertising, consulting services, legal services and public service announcements that are recorded at fair value as income and expense at the time the items are received. This amounted to \$220,485 and \$423,545 in 2020 and 2019, respectively, and has been recorded as in-kind contributions and program expense on the statement of activities.

Additionally, volunteers have donated significant amounts of time to KABOOM! in various capacities. However, these services have not been reflected in the consolidated financial statements since they neither require specialized skills nor would have been typically purchased had they not been donated. The value of these services is not readily determinable.

**12. PENSION PLAN**

KABOOM! has a 403(b) defined contribution retirement savings plan, which covers all full-time employees. Employees can make voluntary contributions to the plan. The employer match was suspended as of July 1, 2020 as a cost savings measure in response to the impact on revenues of the COVID pandemic as noted in Note 19. Through June 2020 KABOOM! contributed, on behalf of each eligible employee, an amount equal to 100% of that employee's voluntary contributions up to 6% of their total compensation. In 2020 and 2019, contributions to the retirement plans were \$136,775 and \$393,530, respectively.

**13. INCOME TAXES**

Under Section 501(c)(3) of the Internal Revenue Code, KABOOM! is exempt from federal taxes on income other than unrelated business income. At December 31, 2020 and 2019 no provision was made as KABOOM! had no net unrelated business income. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

As a single-member limited liability company, KPI is treated as a "disregarded entity" for federal and state income tax purposes.



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**14. LEASE COMMITMENTS**

KABOOM! has non-cancellable lease agreements for office space in Washington, D.C., which expires July 31, 2022, and in San Bruno, CA, which expires September 30, 2025. The terms of these leases include rent abatement, tenant improvements and escalation clauses. On July 1, 2020 KABOOM! subleased its San Bruno office, the lease for which expires September 30, 2025. In accordance with U.S. GAAP, fixed rent increases are recognized as rent expense on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying consolidated statements of financial position. Lease incentives are deferred and amortized on a straight-line basis. The lease payments are also subject to increases based on operating expenses and real estate taxes.

The minimum future lease payments under these agreements are as follows:

	<b>2020</b>
2021	\$ 720,348
2022	432,398
2023	6,566
2024	6,889
2025	5,487
	<u>\$ 1,171,688</u>

Rent expense, net of sublease was \$598,546 and \$598,701 in 2020 and 2019, respectively.

**15. RELATED PARTY TRANSACTIONS**

**Joint Venture Agreement** - Imagination Playground, LLC is a Delaware limited liability company owned by KABOOM! and MHSCO Holdings, LLC, an affiliate of The M.H. Stallman Company, a manufacturer of certain Imagination Playground play equipment. Imagination Playground, LLC focuses on the design, development, production, manufacturing, marketing, distribution, sales and installation of play spaces and related play equipment associated with the Imagination Playground concept, which was conceived and designed by architect David Rockwell to encourage child-directed, unstructured “free-play.”

Imagination Playground, LLC is managed by a separate board consisting of its chief executive officer and two designees appointed by each of KABOOM! and MHSCO Holdings, LLC. In addition, Imagination Playground, LLC is a vendor to KABOOM!, which from time to time may purchase Imagination Playground products from the joint venture on behalf of certain communities that may receive such products in connection with KABOOM!-led playground builds or KABOOM!-administered grant programs.

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**16. SINGLE MEMBER LLC**

KaBOOM! Play Initiatives, LLC ("KPI"), a wholly owned subsidiary of KaBOOM!, Inc., is a Delaware limited liability company that was formed in 2013 to pursue certain play initiatives in furtherance of KABOOM!'s mission. Among other things, KPI undertakes activities designed to connect sellers and buyers of innovative play or play-related products. While KPI does not own or sell such products, it does provide certain payment processing services and manages order fulfillment for such products (among other ancillary services provided by KPI in connection with such activities). Sellers completing sales in connection with such activities contribute to KPI a portion of the sales price paid for each product as a donation without restriction to support KABOOM!'s mission. During 2020 and 2019, KPI revenue totaled approximately \$299,485 and \$397,264, respectively.

**17. CONTINGENT LIABILITY**

In March 2018, California Department of Tax and Fee Administration (CDTFA) (formerly known as the State of California State Board of Equalization) notified KABOOM! that its account had been selected for a routine sales and use tax audit, which, if adversely determined, could result in a potential assessment for California sales and use tax on the value of playground equipment donated to California communities since 2010. KABOOM! advised CDTFA that no assessment is warranted. KABOOM! has provided a waiver to the CDTFA to toll the statute of limitations pending the outcome of such audit.

KABOOM! believes it has no liability for any California sales and use tax and intends to defend this position vigorously. Due to inherent uncertainties, neither the timing nor outcome of the CDTFA audit, nor an accurate quantification of any resulting potential liability, may be reasonably estimated. Accordingly, no provision has been made for this potential liability as at December 31, 2020 and 2019.

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**18. FINANCIAL ASSETS and LIQUIDITY**

KABOOM! financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 1,146,310	\$ 1,061,527
Contributions and program services receivable, net	510,384	1,036,013
Accounts receivable	336,418	478,695
Investments, current	5,370,262	2,352,381
Investments, noncurrent	<u>11,298,893</u>	<u>16,242,867</u>
Financial assets, at year end	18,662,267	21,171,483
Less: Unavailable for general expenditures due to:		
Accounts payable	(1,163,261)	(2,046,235)
Grant commitments for programs	(1,520,000)	(488,628)
Deferred revenue	(2,127,966)	(1,572,771)
With donors restrictions	<u>(2,535,459)</u>	<u>(3,954,222)</u>
 Total financial assets available within one year	 <u>\$ 11,315,581</u>	 <u>\$ 13,109,627</u>

The total financial assets available within one year include the board designated reserve of \$4,500,000.

KABOOM! invests its net assets under an investment policy that requires intermediate and long-term investment balances to be adjusted to allow adequate funds in cash and short-term investments to fulfill donor restrictions and meet expected annual operating needs. KABOOM!'s operating expenses for 2020 net of expenses that were directly funded under contractual agreements were approximately \$9,509,000.

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**19. IMPACT OF COVID**

The COVID-19 pandemic has caused disruption affecting current and potential funding partners and community partners of KABOOM! in 2020. The effects of the COVID-19 pandemic on KABOOM!'s operations and finances in 2020 have been significant and required KABOOM! to take cost reduction actions, which included staff reductions and salary reductions to its managing staff, to maintain its financial health. KABOOM! applied for and received a Payroll Protection Program loan (PPP loan) in the amount of \$1,614,600, an Economic Injury Disaster Loan (EIDL loan) in the amount of \$150,000 and an Economic Injury Disaster Loan Advance (EIDL advance) in the amount of \$10,000. Both the PPP loan and the EIDL advance have been fully forgiven and reflected as government grant income in 2020 in these financial statements. The EIDL Loan has an effective date of June 9, 2020 and an interest rate of 2.75%. The repayment terms require a monthly payment of \$641 starting June 10, 2021 and lasting for thirty years. Accrued interest of \$2,317 is included in accounts payable and accrued expenses in 2020 in these financial statements.

KABOOM! expects to apply for Employee Retention Tax Credits (ERTC) retroactively to the 1<sup>st</sup> quarter of 2020 as well as prospectively for 2021 now that the ERTC has been extended for the full year by the recent COVID-19 Relief Bill. The amount of benefit for the retroactive application cannot yet be reasonably determined and has not been reflected in these financial statements. While the cost reduction actions and financial support from the government assistance programs as well as contracted funding commitments deferred from 2020 to 2021 have mitigated financial impacts on KABOOM! from the COVID-19 pandemic as of the date of these financial statements, the impact of the COVID-19 pandemic on the revenue and the related expense activity for KABOOM! for 2021 cannot be estimated at this time.

**20. SUBSEQUENT EVENTS**

**Transaction with Former Officer** - In February of 2021, KABOOM! assigned to a former officer of KABOOM! any intellectual property rights owned by KABOOM! in a play concept that was under development by such former officer while employed by KABOOM!. In connection with such assignment, an entity affiliated with such former officer entered into an arrangement with KABOOM! under which KABOOM! will promote such play concept in exchange for an annual contribution based on net sales from certain products and data based on such play concept after such development is completed as well as discounted pricing on any purchases by KABOOM! of such products. In accordance with KABOOM!'s conflict of interest policy, this transaction was reviewed by a Board committee of disinterested persons who determined that a more advantageous transaction or arrangement for the transfer of these rights was not possible and that this transaction was fair and reasonable and in the best interest of KABOOM!.

**Payroll Protection Program** - In February of 2021, KABOOM! received a second PPP loan in the amount of \$1,795,502 and expects to qualify for full forgiveness of this loan in 2021.

KABOOM! has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through April 1, 2021. KABOOM! is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements other than already described above.