



KABOOM!, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

KABOOM!, INC.

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Independent Auditor's Report

Board of Directors
KaBOOM!, Inc.
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of KaBOOM!, Inc. (KABOOM!), (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of KABOOM! and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KABOOM!'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 KABOOM!'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KABOOM!'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

The consolidated financial statements of KABOOM!, Inc., as of December 31, 2020, were audited by other auditors whose report dated April 1, 2021, expressed an unmodified opinion on those consolidated statements. The comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
April 15, 2022

Certified Public Accountants

KABOOM!, INC.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,363,974	\$ 1,146,310
Contributions and Program Services Receivable	887,733	510,384
Accounts Receivable	230,432	336,418
Investments	5,372,394	5,370,262
Prepaid Expenses	170,756	170,117
Other Assets	203,740	24,961
Total Current Assets	9,229,029	7,558,452
Property and Equipment, Net	98,174	250,640
Intangibles, Net	567	1,162
Investments	24,509,421	11,298,893
Total Assets	\$33,837,191	\$ 19,109,147
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 1,503,206	\$ 1,163,262
Grants Payable	318,900	1,520,000
Deferred Revenue	2,474,864	2,127,967
Deferred Rent	118,248	342,986
Total Current Liabilities	4,415,218	5,154,215
Loan Payable	150,000	150,000
Total Liabilities	4,565,218	5,304,215
Net Assets		
Net Assets Without Donor Restrictions	26,009,358	11,269,473
Net Assets With Donor Restrictions	3,262,615	2,535,459
Total Net Assets	29,271,973	13,804,932
Total Liabilities and Net Assets	\$33,837,191	\$ 19,109,147

See accompanying Notes to Consolidated Financial Statements.

KABOOM!, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Contracted Program Services	\$ 5,109,001	\$ -	\$ 5,109,001	\$ 5,768,111	\$ -	\$ 5,768,111
Contributions and Grants	15,561,534	2,494,738	18,056,272	3,166,366	633,485	3,799,851
Government Grants	3,378,277	-	3,378,277	1,624,600	-	1,624,600
Other Revenue	102,737	-	102,737	-	-	-
In-Kind Contributions	269,042	-	269,042	220,485	-	220,485
Released from Restrictions	1,767,582	(1,767,582)	-	2,052,248	(2,052,248)	-
Total Support and Revenues	26,188,173	727,156	26,915,329	12,831,810	(1,418,763)	11,413,047
Expenses						
Programs	10,138,731	-	10,138,731	13,565,360	-	13,565,360
Development	1,571,513	-	1,571,513	1,398,638	-	1,398,638
Management and General	943,316	-	943,316	1,209,285	-	1,209,285
Total Expenses	12,653,560	-	12,653,560	16,173,283	-	16,173,283
Change in Net Assets from Operations	13,534,613	727,156	14,261,769	(3,341,473)	(1,418,763)	(4,760,236)
Investment Income, Net	1,205,272	-	1,205,272	1,055,577	-	1,055,577
Change in Net Assets	14,739,885	727,156	15,467,041	(2,285,896)	(1,418,763)	(3,704,659)
Net Assets, Beginning of Year	11,269,473	2,535,459	13,804,932	13,555,369	3,954,222	17,509,591
Net Assets, End of Year	\$ 26,009,358	\$ 3,262,615	\$ 29,271,973	\$ 11,269,473	\$ 2,535,459	\$ 13,804,932

See accompanying Notes to Consolidated Financial Statements.

KABOOM!, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services			Supporting Services			Total
	Direct Impact	Thought Leadership	Total Program Services	Development	Management and General	Total Supporting Services	
Employee Expenses	\$ 2,917,782	\$ 1,701,748	\$ 4,619,530	\$ 1,283,807	\$ 610,414	\$ 1,894,221	\$ 6,513,751
Construction	3,600,126	-	3,600,126	-	-	-	3,600,126
Professional Services	539,525	170,197	709,722	45,259	93,855	139,114	848,836
Property and Maintenance	241,844	141,051	382,895	106,410	142,838	249,248	632,143
Office Expenses	56,723	67,854	124,577	38,160	32,390	70,550	195,127
Information and Technology	56,989	49,938	106,927	38,301	20,281	58,582	165,509
Grants Expenses	141,925	-	141,925	-	-	-	141,925
Depreciation and Amortization	58,557	34,154	92,711	25,765	34,584	60,349	153,060
Travel and Entertainment	125,698	5,857	131,555	1,788	981	2,769	134,324
Telecommunications	55,034	15,800	70,834	26,042	5,597	31,639	102,473
Marketing	18,244	80,015	98,259	3,746	-	3,746	102,005
Reproduction and Delivery	30,711	11,841	42,552	1,919	2,376	4,295	46,847
Conferences	15,494	1,624	17,118	316	-	316	17,434
Total Expenses	\$ 7,858,652	\$ 2,280,079	\$ 10,138,731	\$ 1,571,513	\$ 943,316	\$ 2,514,829	\$ 12,653,560
Percentage			80%	12%	7%		

See accompanying Notes to Consolidated Financial Statements.

KABOOM!, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services			Supporting Services			Total
	Direct Impact	Thought Leadership	Total Program Services	Development	Management and General	Total Supporting Services	
Employee Expenses	\$ 4,717,966	\$ 1,314,568	\$ 6,032,534	\$ 1,119,137	\$ 846,032	\$ 1,965,169	\$ 7,997,703
Construction	3,208,096	-	3,208,096	-	-	-	3,208,096
Grants Expenses	2,521,070	-	2,521,070	-	-	-	2,521,070
Professional Services	501,146	105,442	606,588	38,650	62,991	101,641	708,229
Property and Maintenance	306,529	81,347	387,876	96,217	144,846	241,063	628,939
Depreciation	118,758	31,830	150,588	37,276	54,788	92,064	242,652
Information and Technology	99,216	64,658	163,874	30,805	38,005	68,810	232,684
Office Expenses	82,865	30,402	113,267	37,051	49,525	86,576	199,843
Marketing	29,800	106,144	135,944	663	-	663	136,607
Telecommunications	83,705	16,939	100,644	29,508	4,392	33,900	134,544
Travel and Entertainment	60,516	4,588	65,104	4,496	6,179	10,675	75,779
Reproduction and Delivery	38,162	4,895	43,057	1,977	2,527	4,504	47,561
Bad Debt	24,785	-	24,785	-	-	-	24,785
Conferences	9,981	1,952	11,933	2,858	-	2,858	14,791
Total Expenses	\$ 11,802,595	\$ 1,762,765	\$ 13,565,360	\$ 1,398,638	\$ 1,209,285	\$ 2,607,923	\$ 16,173,283
Percentage			84%	9%	7%		

See accompanying Notes to Consolidated Financial Statements.

KABOOM!, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 15,467,041	\$ (3,704,659)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	153,060	242,652
Realized/Unrealized Gain on Investments	(1,046,866)	(846,166)
(Increase) Decrease in Assets		
Contributions and Program Services Receivable	(377,349)	525,629
Accounts Receivable	105,986	142,277
Prepaid Expenses	(639)	42,718
Other Assets	(178,779)	9,994
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	339,944	(882,974)
Grants Payable	(1,201,100)	1,031,372
Deferred Revenue	346,897	555,196
Deferred Rent	(224,738)	46,483
Net Cash Provided by (Used in) Operating Activities	<u>13,383,457</u>	<u>(2,837,478)</u>
Cash Flows from Investing Activities		
Purchase of Investments	(12,261,945)	(3,324,887)
Proceeds from Sale of Investments	<u>96,152</u>	<u>6,097,148</u>
Net Cash (Used in) Provided by Investing Activities	<u>(12,165,793)</u>	<u>2,772,261</u>
Cash Flows from Financing Activities		
Proceeds from Loan	<u>-</u>	<u>150,000</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>150,000</u>
Increase in Cash and Cash Equivalents	1,217,664	84,783
Cash and Cash Equivalents at Beginning of Year	<u>1,146,310</u>	<u>1,061,527</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,363,974</u></u>	<u><u>\$ 1,146,310</u></u>

See accompanying Notes to Financial Statements.

KABOOM!, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. ORGANIZATION

KaBOOM!, Inc., a District of Columbia nonprofit corporation, which we refer to as KABOOM!, is a publicly supported 501(c)(3) national nonprofit that works to end playspace inequity by building kid-designed playspaces that can spark joy and foster a sense of belonging for the kids who are often denied opportunities to thrive. Since 1996, KABOOM! has collaborated with partners to create or transform 17,000+ playspaces and brought joy to nearly 12 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 disparities in access to quality places to play. KABOOM! playspaces include playspace projects (playgrounds, multisport courts, and adventure courses) and Play Everywhere grants, each designed to meet the unique needs and desires of the communities KABOOM! works 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

Principles 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. The financial statements have been consolidated as KABOOM!, Inc., has controlling financial interest in KPI.

Basis of Accounting

KABOOM! maintains its accounts on the accrual basis of accounting. 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.

KABOOM!, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 KABOOM! and changes therein are classified and reported as follows:

With Donor Restrictions

Contributions and grants pending satisfaction of donor-imposed, time or purpose restrictions are reported as revenue with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from 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, 2021 and 2020, to be held in reserve to support future years' operations, provide a resource for unexpected downturns, and provide a source of investment in KABOOM!. 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.

KABOOM!, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable mainly consist of amounts owed to KABOOM! from supplier contracts and 403b non-vested forfeitures. These amounts are expected to be collected within one year at net realizable value. Accounts that are deemed uncollectible are written off. For the years ended December 30, 2021 and 2020, accounts receivable balances were \$230,432 and \$336,418, respectively.

In-Kind Support

KABOOM! receives building supplies and materials, marketing, advertising, legal and consulting 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 and at times may exceed federally insured limits. KABOOM! has not experienced any losses in such accounts and management believes KABOOM! is not exposed to any significant credit risks.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. Allocated accounts include salaries and wages, employee benefits, payroll taxes, bank service charges, postage, printing, supplies, and travel. 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 consolidated 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.

KABOOM!, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

3. CONTRIBUTIONS AND PROGRAM SERVICES RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Contributions and Program Services Receivable	\$ 937,733	\$ 560,384
Less Allowance for Doubtful Accounts	<u>(50,000)</u>	<u>(50,000)</u>
Contributions and Program Services Receivable, Net	<u>\$ 887,733</u>	<u>\$ 510,384</u>

4. CONTRACTED PROGRAM SERVICES

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

	<u>2021</u>	<u>2020</u>
Playground Construction and Other Project Completion	<u>\$ 3,337,168</u>	<u>\$ 3,872,095</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. As of December 31, investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Federated Prime Obligations Fund - Current	<u>\$ 5,372,394</u>	<u>\$ 5,370,262</u>
Conservative Intermediate Term	5,690,572	3,514,166
Moderate Growth Income Portfolio	<u>18,818,849</u>	<u>7,784,727</u>
Investments - Noncurrent	<u>24,509,421</u>	<u>11,298,893</u>
Total Investments	<u>\$ 29,881,815</u>	<u>\$ 16,669,155</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 2021.

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.

KABOOM!, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

5. INVESTMENTS (CONTINUED)

Investment Income

The following schedule summarizes investment income:

	2021	2020
Interest and Dividends	\$ 273,693	\$ 323,352
Net Realized and Unrealized Gain	1,046,866	846,166
Total Investment Income	1,320,559	1,169,518
Less Investment Expense	(115,287)	(113,941)
Investment Income, Net	\$ 1,205,272	\$ 1,055,577

Fair Value Measurement

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 KABOOM!'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
2021			
Federated Prime Obligations Fund	\$ 5,372,394	\$ -	\$ -
Conservative Intermediate Term	5,690,572	-	-
Moderate Growth Income Portfolio	18,818,849	-	-
	\$29,881,815	\$ -	\$ -
	Level 1	Level 2	Level 3
2020			
Federated Prime Obligations Fund	\$ 5,370,262	\$ -	\$ -
Conservative Intermediate Term	3,514,166	-	-
Moderate Growth Income Portfolio	7,784,727	-	-
	\$ 16,669,155	\$ -	\$ -

KABOOM! invests in various investments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the consolidated financial statements.

KABOOM!, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

6. PREPAID EXPENSES

As of December 31, prepaid expenses consisted of the following:

	<u>2021</u>	<u>2020</u>
Other Prepaid Expenses	\$ 56,930	\$ 59,114
Prepaid Insurance	113,826	111,003
Prepaid Expenses	<u>\$ 170,756</u>	<u>\$ 170,117</u>

7. PROPERTY, EQUIPMENT, AND INTANGIBLES

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

	<u>2021</u>	<u>2020</u>
Property and Equipment	\$ 917,420	\$ 917,420
Leasehold Improvement	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>(2,052,116)</u>	<u>(1,899,650)</u>
Property and Equipment, Net	<u>\$ 98,174</u>	<u>\$ 250,640</u>

Depreciation expense for 2021 and 2020 was \$152,466 and \$155,188, respectively.

As of December 31, intangibles were as follows:

	<u>2021</u>	<u>2020</u>
Total Costs	\$ 1,441,555	\$ 1,441,555
Less Accumulated Amortization	<u>(1,440,988)</u>	<u>(1,440,393)</u>
Intangibles, Net	<u>\$ 567</u>	<u>\$ 1,162</u>

Amortization expense for 2021 and 2020 was \$594 and \$87,464, 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. On December 31, 2021 and 2020, grants payable were \$318,900 and \$1,520,000, 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 obligations must be met, or the unspent funds are to be returned. Once these obligations are satisfied, the funds are moved from deferred and recognized as revenue without donor restrictions. Deferred revenue was \$2,474,864 and \$2,127,967 on December 31, 2021 and 2020, respectively.

KABOOM!, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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:

	<u>2021</u>	<u>2020</u>
Foundation Grants for Direct Impact Programming	<u>\$ 3,262,615</u>	<u>\$ 2,535,459</u>

Net assets released from restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Foundation Grants for Direct Impact Programming	<u>\$ 1,767,582</u>	<u>\$ 2,052,248</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 \$269,042 and \$220,485 in 2021 and 2020, respectively, and has been recorded as in-kind contributions and program expense on the consolidated statements 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 (the 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-19 pandemic. In 2021, KABOOM! contributed a discretionary contribution to each eligible employee in an amount equal to 6% of their total compensation through June of that year. In 2021 and 2020, contributions to the Plan were \$128,241 and \$136,775, 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, 2021 and 2020, 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.

KABOOM!, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, California, which expires September 30, 2025. The terms of these leases include rent abatement, tenant improvements, and escalation clauses. On July 1, 2019, KABOOM! subleased its San Bruno office, the lease for which expires September 30, 2025. In November 2021, KABOOM! entered into a 136-month lease for new office space in Bethesda, Maryland, with a commencement date of August 1, 2022. 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:

For the Years Ending December 31,

2022	\$ 534,720
2023	132,419
2024	836,710
2025	836,003
2026	804,091
Thereafter	<u>6,139,743</u>
Total Minimum Lease Payments	<u>\$ 9,283,686</u>

Rent expense for office space, net of sublease was \$601,707 and \$598,701 in 2021 and 2020, respectively. Rent expense was net of sublease revenue received of \$36,729 and \$46,402 for the years ended December 31, 2021 and 2020, 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.

KABOOM!, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 2021 and 2020, KPI revenue totaled approximately \$37,375 and \$299,485, 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 at December 31, 2021.

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:

	<u>2021</u>	<u>2020</u>
<i>Financial Assets</i>		
Cash and Cash Equivalents	\$ 2,363,974	\$ 1,146,310
Contributions and Program Services Receivable, Net	887,733	510,384
Accounts Receivable	230,432	336,418
Investments, Current	5,372,394	5,370,262
Investments, Noncurrent	<u>24,509,421</u>	<u>11,298,893</u>
Financial Assets at Year End	33,363,954	18,662,267
Less Unavailable for General Expenditures Due to Net Assets With Donor Restrictions	<u>(3,262,615)</u>	<u>(2,535,459)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$30,101,339</u>	<u>\$ 16,126,808</u>

The total financial assets available within one year include the board designated reserve of \$4,500,000 for the years ended December 2021 and 2020.

KABOOM!, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

18. FINANCIAL ASSETS AND LIQUIDITY (CONTINUED)

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 2021 and 2020 net of expenses that were directly funded under contractual agreements were approximately \$8,400,000 and \$9,509,000, respectively.

19. IMPACT OF COVID-19 AND RECOVERY

The COVID-19 pandemic caused disruption affecting current and potential funding partners and community partners of KABOOM! in 2020. The effects of the COVID-19 pandemic on KABOOM! operations and finances in 2020 were significant and required KABOOM! to take cost reduction actions, which included staff reductions and salary reductions for its managing staff, to maintain its financial health. KABOOM! applied for and received a Paycheck Protection Program loan (PPP) 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 are reflected as government grants income in 2020 in these consolidated financial statements.

In 2021, KABOOM! received a second PPP Loan in the amount of \$1,795,502 which was fully forgiven in 2021. KABOOM! also received Employee Retention Credits (ERC) retroactively to the 1st quarter of 2020 as well for the first three quarters of 2021. The total ERC credits recognized in 2021 were \$1,582,774. The PPP loan that was forgiven in 2021 and the ERC credits recognized in 2021 are reflected as government grants income in 2021 in these consolidated financial statements.

20. SIGNIFICANT UNRESTRICTED CONTRIBUTION

In November 2021, KABOOM! received a significant unrestricted contribution in the amount of \$14,000,000 which is reflected in the contributions and grant revenue total in these consolidated financial statements. KABOOM! plans to use these funds as a catalyst for fundraising efforts in 2022 and beyond, to accelerate their plan to achieve significant, system-wide impact in 25 markets over the next five years. The KABOOM! 25 in 5 Initiative (capital campaign) to end playspace inequity will drive KABOOM!'s mission to end playspace inequity, resulting in a plan to scale their work across the country.

21. SUBSEQUENT EVENTS

KABOOM! evaluated subsequent events and transactions through April 15, 2022, the date the consolidated financial statements were available to be issued.