



**KABOOM!, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**KABOOM!, INC.**

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**DECEMBER 31, 2022 AND 2021**

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## Independent Auditor's Report

Board of Directors  
KABOOM!, Inc.  
Bethesda, Maryland

### *Opinion*

We have audited the accompanying consolidated financial statements of KABOOM!, Inc. (KABOOM!) (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KABOOM! as of December 31, 2022 and 2021, 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.

### *Basis for Opinion*

We conducted our audits 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 audits. 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. 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.

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

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 the Organization'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 the Organization'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.

***Emphasis of Matter***

As discussed in Note 3 of the consolidated financial statements, the Organization adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

In addition, as discussed in Note 3 of the consolidated financial statements, the Organization adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. Our opinion is not modified with respect to this matter.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
April 26, 2023

Certified Public Accountants

**KABOOM!, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,101,381	\$ 2,363,974
Contributions and Program Services Receivable, Net	2,569,938	887,733
Accounts Receivable	300,620	230,432
Investments	6,829,028	5,372,394
Prepaid Expenses	206,717	170,756
Other Assets	214,949	203,740
Total Current Assets	11,222,633	9,229,029
Property and Equipment, Net	1,738,532	98,174
Operating Right-of-Use Assets	5,356,874	-
Intangibles, Net	-	567
Investments, Non-Current	15,773,464	24,509,421
<b>Total Assets</b>	<b>\$ 34,091,503</b>	<b>\$ 33,837,191</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 1,715,758	\$ 1,503,206
Grants Payable	77,608	318,900
Deferred Revenue	2,306,957	2,474,864
Loan Payable	5,388	-
Operating Lease Liabilities	95,895	-
Deferred Rent	-	118,248
Total Current Liabilities	4,201,606	4,415,218
Loan Payable, Net of Current Portion	144,612	150,000
Operating Lease Liabilities, Net of Current Portion	7,218,664	-
Total Liabilities	11,564,882	4,565,218
<b>Net Assets</b>		
Undesignated		
Net Assets Without Donor Restrictions	13,047,399	21,509,358
Board Designated for Operations	4,500,000	4,500,000
Total Net Assets Without Donor Restrictions	17,547,399	26,009,358
Net Assets With Donor Restrictions	4,979,222	3,262,615
Total Net Assets	22,526,621	29,271,973
<b>Total Liabilities and Net Assets</b>	<b>\$ 34,091,503</b>	<b>\$ 33,837,191</b>

*See accompanying Notes to Consolidated Financial Statements.*

**KABOOM!, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>						
Contracted Program Services	\$ 7,689,784	\$ -	\$ 7,689,784	\$ 5,109,001	\$ -	\$ 5,109,001
Contributions and Grants	3,397,916	2,689,984	6,087,900	15,561,534	2,494,738	18,056,272
Government Grants	-	-	-	3,378,277	-	3,378,277
Other Revenue	360	-	360	102,737	-	102,737
In-Kind Contributions	150,156	-	150,156	269,042	-	269,042
Released from Restrictions	973,377	(973,377)	-	1,767,582	(1,767,582)	-
Total Support and Revenues	12,211,593	1,716,607	13,928,200	26,188,173	727,156	26,915,329
<b>Expenses</b>						
Programs	14,492,075	-	14,492,075	10,138,731	-	10,138,731
Development	1,891,565	-	1,891,565	1,571,513	-	1,571,513
Management and General	1,100,478	-	1,100,478	943,316	-	943,316
Total Expenses	17,484,118	-	17,484,118	12,653,560	-	12,653,560
Change in Net Assets from Operations	(5,272,525)	1,716,607	(3,555,918)	13,534,613	727,156	14,261,769
Investment (Loss) Income, Net	(3,189,434)	-	(3,189,434)	1,205,272	-	1,205,272
Change in Net Assets	(8,461,959)	1,716,607	(6,745,352)	14,739,885	727,156	15,467,041
Net Assets, Beginning of Year	26,009,358	3,262,615	29,271,973	11,269,473	2,535,459	13,804,932
<b>Net Assets, End of Year</b>	\$ 17,547,399	\$ 4,979,222	\$ 22,526,621	\$ 26,009,358	\$ 3,262,615	\$ 29,271,973

*See accompanying Notes to Consolidated Financial Statements.*

**KABOOM!, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services			Supporting Services			Total
	Direct Impact	Thought Leadership	Total Program Services	Development	Management and General	Total Supporting Services	
Employee Expenses	\$ 4,544,361	\$ 1,262,666	\$ 5,807,027	\$ 1,450,014	\$ 738,629	\$ 2,188,643	\$ 7,995,670
Construction	5,906,813	-	5,906,813	-	-	-	5,906,813
Professional Services	925,455	330,739	1,256,194	207,663	74,181	281,844	1,538,038
Property and Maintenance	15,415	4,283	19,698	4,919	7,523	12,442	32,140
Operating Lease Expense	336,324	93,449	429,773	107,314	164,138	271,452	701,225
Office Expenses	83,339	37,981	121,320	42,047	38,271	80,318	201,638
Information and Technology	128,113	35,295	163,408	32,499	30,160	62,659	226,067
Grants Expenses	82,859	-	82,859	-	-	-	82,859
Depreciation and Amortization	74,911	20,814	95,725	23,902	36,559	60,461	156,186
Bad Debt	13,541	-	13,541	-	-	-	13,541
Travel and Entertainment	328,076	58,367	386,443	7,460	4,065	11,525	397,968
Telecommunications	56,245	9,109	65,354	13,580	4,406	17,986	83,340
Marketing	2,417	66,673	69,090	170	-	170	69,260
Reproduction and Delivery	36,126	16,518	52,644	1,799	2,546	4,345	56,989
Conferences	14,263	7,923	22,186	198	-	198	22,384
<b>Total Expenses</b>	<b><u>\$ 12,548,258</u></b>	<b><u>\$ 1,943,817</u></b>	<b><u>\$ 14,492,075</u></b>	<b><u>\$ 1,891,565</u></b>	<b><u>\$ 1,100,478</u></b>	<b><u>\$ 2,992,043</u></b>	<b><u>\$ 17,484,118</u></b>
<b>Percentage</b>			83%	11%	6%		

*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
<b>Total Expenses</b>	<b><u>\$ 7,858,652</u></b>	<b><u>\$ 2,280,079</u></b>	<b><u>\$ 10,138,731</u></b>	<b><u>\$ 1,571,513</u></b>	<b><u>\$ 943,316</u></b>	<b><u>\$ 2,514,829</u></b>	<b><u>\$ 12,653,560</u></b>
<b>Percentage</b>			80%	12%	8%		

*See accompanying Notes to Consolidated Financial Statements.*



**KABOOM!, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (6,745,352)	\$ 15,467,041
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	156,186	153,060
Realized/Unrealized Loss (Gain) on Investments	3,538,047	(1,046,866)
Operating Lease Expense	777,625	-
(Increase) Decrease in Assets		
Contributions and Program Services Receivable, Net	(1,682,205)	(377,349)
Accounts Receivable	(70,188)	105,986
Prepaid Expenses	(35,961)	(639)
Other Assets	(11,209)	(178,779)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	212,552	339,944
Grants Payable	(241,292)	(1,201,100)
Operating Lease Liabilities	(560,874)	-
Deferred Revenue	(167,907)	346,897
Deferred Rent	-	(224,738)
Net Cash (Used in) Provided by Operating Activities	<u>(4,830,578)</u>	13,383,457
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(173,291)	-
Purchase of Investments	(7,012,769)	(12,261,945)
Proceeds from Sale of Investments	<u>10,754,045</u>	<u>96,152</u>
Net Cash Provided by (Used in) Investing Activities	<u>3,567,985</u>	<u>(12,165,793)</u>
(Decrease) Increase in Cash and Cash Equivalents	(1,262,593)	1,217,664
Cash and Cash Equivalents at Beginning of Year	<u>2,363,974</u>	<u>1,146,310</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 1,101,381</u></u>	<u><u>\$ 2,363,974</u></u>
<b>Noncash Transactions from Investing Activities</b>		
Establishment of Operating Right-of-Use Assets	\$ 5,968,992	\$ -
Establishment of Operating Lease Liabilities	7,766,760	-

*See accompanying Notes to Consolidated Financial Statements.*

# KABOOM!, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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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 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 Bethesda, Maryland.

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. In 2022, KABOOM! launched the 25 in 5 Initiative to End Playspace Inequity, the \$250 million plan to accelerate its mission in 25 high-priority locations over five years. 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 alongside.
- **Thought Leadership:** Through media opportunities, conference attendance and developing relationships with funders, city leaders, community advocates, and other key stakeholder. KABOOM! seeks to lead the conversation and drive communications to raise the awareness of playspaces as an equity issue 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. KPI had minimal activities in 2021 and had no activity in 2022.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Principles of Consolidation*

The financial statements were prepared on a consolidated basis 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. Revenues are recognized when earned and expenses are recorded when incurred.

#### *Revenue Recognition*

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, 2022 AND 2021

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### 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, 2022 and 2021, 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 excluding amounts held as investments.

#### *Investments*

Investments are reported at the fair value based on quoted market prices on national exchanges.

#### *Property, Equipment, and Intangibles*

KABOOM! capitalizes all property and equipment acquisitions of \$2,000 and above. 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. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated lives of the related assets or the remaining lease term and is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. 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.

# KABOOM!, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

#### *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.

#### *Right-of-Use Assets and Lease Liabilities*

Lease liabilities are initially measured at the present value of minimum lease payments using a prime rate that approximates the remaining term of the lease. The right-of-use assets are the lease liabilities adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring KABOOM!'s right-of-use assets and lease liabilities. Operating lease expense is allocated over the remaining lease term on a straight-line basis.

KABOOM! considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, KABOOM! does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

#### *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 31, 2022 and 2021, accounts receivable balances were \$300,620 and \$230,432, 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 or services are provided.

#### *Use of Estimates*

The preparation of 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.

# KABOOM!, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

#### *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated 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.

### 3. ADOPTION OF ACCOUNTING STANDARDS UPDATES

#### *Adoption of Accounting Standards Updates 2016-02*

During the year ended December 31, 2022, KABOOM! adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. KABOOM! also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the consolidated statements of financial position.

KABOOM! adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance, which allows KABOOM! to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases. KABOOM! also elected to apply the practical expedient to use hindsight in determining the most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than twelve months. Accordingly, operating right-of-use assets and lease liabilities totaling approximately \$5,969,000 and \$7,767,000, respectively, were recognized as of January 1, 2022. Existing deferred rent of approximately \$87,000 as of January 1, 2022, is included as a reduction to the initial measurement of the right-of-use assets for the operating leases.

#### *Adoption of Accounting Standards Updates 2020-07*

During the year ended December 31, 2022, KABOOM! adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofits through enhancements to

**KABOOM!, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**3. ADOPTION OF ACCOUNTING STANDARDS UPDATES (CONTINUED)**

*Adoption of Accounting Standards Updates 2020-07 (Continued)*

presentation and disclosure. Specifically, the ASU addresses the lack of transparency surrounding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in programs and other activities. Management believes that the adoption of this ASU enhances the transparency of financial information among nonprofit entities. The change in accounting principle was applied on a retrospective basis. The impact of adoption was not material to the consolidated financial statements, however, the presentation and disclosure of contributed nonfinancial assets has been enhanced.

**4. CONTRIBUTIONS AND PROGRAM SERVICES RECEIVABLE**

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

	2022	2021
Contributions and Program Services Receivable	\$ 2,619,938	\$ 937,733
Less Allowance for Doubtful Accounts	<u>(50,000)</u>	<u>(50,000)</u>
Contributions and Program Services Receivable, Net	<u>\$ 2,569,938</u>	<u>\$ 887,733</u>

**5. CONTRACTED PROGRAM SERVICES**

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

	2022	2021
Playground Construction and Other Project Completion	<u>\$ 6,377,135</u>	<u>\$ 3,337,168</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.

**6. 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:

	2022	2021
Federated Prime Obligations Fund - Current	<u>\$ 6,829,028</u>	<u>\$ 5,372,394</u>
Conservative Intermediate Term	2,777,033	5,690,572
Moderate Growth Income Portfolio	<u>12,996,431</u>	<u>18,818,849</u>
Investments - Noncurrent	<u>15,773,464</u>	24,509,421
Total Investments	<u>\$ 22,602,492</u>	<u>\$ 29,881,815</u>

**KABOOM!, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**6. INVESTMENTS (CONTINUED)**

*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.

*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.

*Investment (Loss) Income*

The following schedule summarizes investment (loss) income:

	2022	2021
Interest and Dividends	\$ 510,706	\$ 273,693
Net Realized and Unrealized (Loss) Gain	<b>(3,538,047)</b>	1,046,866
Total Investment (Loss) Income	<b>(3,027,341)</b>	1,320,559
Less Investment Expense	<b>(162,093)</b>	(115,287)
Investment (Loss) Income, Net	<b><u>\$ (3,189,434)</u></b>	<b><u>\$ 1,205,272</u></b>

*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.

**KABOOM!, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**6. INVESTMENTS (CONTINUED)**

*Fair Value Measurement (Continued)*

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

	Level 1	Level 2	Level 3
<b>2022</b>			
Federated Prime Obligations Fund	\$ 6,829,028	\$ -	\$ -
Conservative Intermediate Term	2,777,033	-	-
Moderate Growth Income Portfolio	12,996,431	-	-
	\$ 22,602,492	\$ -	\$ -
	Level 1	Level 2	Level 3
<b>2021</b>			
Federated Prime Obligations Fund	\$ 5,372,394	\$ -	\$ -
Conservative Intermediate Term	5,690,572	-	-
Moderate Growth Income Portfolio	18,818,849	-	-
	\$ 29,881,815	\$ -	\$ -

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.

**7. PREPAID EXPENSES**

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

	2022	2021
Other Prepaid Expenses	\$ 76,303	\$ 56,930
Prepaid Insurance	130,414	113,826
Prepaid Expenses	\$ 206,717	\$ 170,756

**8. PROPERTY, EQUIPMENT, AND INTANGIBLES**

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

	2022	2021
Property and Equipment	\$ 321,637	\$ 917,420
Leasehold Improvement	1,587,550	1,176,295
Vehicles	56,575	56,575
Total Property and Equipment	1,965,762	2,150,290
Less Accumulated Depreciation	(227,230)	(2,052,116)
Property and Equipment, Net	\$ 1,738,532	\$ 98,174

Depreciation expense for 2022 and 2021 was \$155,618 and \$152,466, respectively.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**8. PROPERTY, EQUIPMENT, AND INTANGIBLES (CONTINUED)**

As of December 31, intangibles were as follows:

	2022	2021
Total Costs	\$ 605,390	\$ 1,441,555
Less Accumulated Amortization	(605,390)	(1,440,988)
Intangibles, Net	\$ -	\$ 567

Amortization expense for 2022 and 2021 was \$567 and \$594, respectively.

**9. 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, 2022 and 2021, grants payable were \$77,608 and \$318,900, respectively.

**10. 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 recognized as income in 2022 and 2021 were \$1,827,421 and \$1,753,843, respectively. Deferred revenue was \$2,306,957 and \$2,474,864 on December 31, 2022 and 2021, respectively.

**11. 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:

	2022	2021
Foundation Grants for Direct Impact Programming	\$ 4,979,222	\$ 3,262,615

Net assets released from restrictions consisted of the following:

	2022	2021
Foundation Grants for Direct Impact Programming	\$ 973,377	\$ 1,767,582

**12. IN-KIND CONTRIBUTIONS**

For the years ended December 31, 2022 and 2021, the fair value of in-kind services and materials are included in in-kind contributions in the consolidated statements of activities. The value of in-kind contributions is based on current market rates for similar services or materials. All in-kind contributions received by KABOOM! for the year ended December 31, 2022, were considered without donor restrictions and able to be used by KABOOM! as determined by the Board of Directors and management.

**KABOOM!, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**12. IN-KIND CONTRIBUTIONS (CONTINUED)**

The expenses for the year ended December 31, 2022, are as follows:

	<u>Program</u>	<u>Development</u>	<u>Management and General</u>	<u>Total</u>
<b>Construction</b>	\$ 31,710	\$ -	\$ -	\$ 31,710
<b>Professional Service</b>	69,887	-	-	69,887
<b>Marketing</b>	48,559	-	-	48,559
<b>Total In-Kind Contributions</b>	<u>\$ 150,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,156</u>

The expenses for the year ended December 31, 2021, are as follows:

	<u>Program</u>	<u>Development</u>	<u>Management and General</u>	<u>Total</u>
Construction	\$ 909	\$ -	\$ -	\$ 909
Professional Service	205,927	-	-	205,927
Marketing	55,846	3,360	-	59,206
Travel and Entertainment	3,000	-	-	3,000
<b>Total In-Kind Contributions</b>	<u>\$ 265,682</u>	<u>\$ 3,360</u>	<u>\$ -</u>	<u>\$ 269,042</u>

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.

**13. 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 reinstated in full as of January 2022 after being suspended on July 1, 2020. 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 2022 and 2021, contributions to the Plan were \$267,047 and \$128,241, respectively.

**14. 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, 2022 and 2021, 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 in 2022 and 2021.

**KABOOM!, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**15. LEASE COMMITMENTS**

***Operating Lease under Topic 842***

KABOOM! has non-cancellable lease agreements for office space in Washington, D.C., which expired 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.

Under accounting principles generally accepted in the United States of America (GAAP), operating lease expense is recognized on a straight-line basis over the remaining lease term. KABOOM! had no variable or short-term lease expense in 2022 or 2021.

The maturity of the operating lease liabilities under these agreements as of December 31, 2022, are as follows:

<u>For the Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2023	\$ 166,976
2024	872,316
2025	866,499
2026	804,091
2027	824,194
Thereafter	<u>5,315,548</u>
Total Undiscounted Minimum Lease Payments	8,849,624
Less Discount to Present Value	<u>(1,535,065)</u>
Total Operating Lease Liabilities	<u><u>\$ 7,314,559</u></u>

Supplementary qualitative operating lease information is as follows:

<u>Supplementary Qualitative Operating Lease Information</u>	<u>Amount</u>
Weighted-Average Remaining Lease Term (Years)	10.61 Years
Weighted-Average Discount Rate	3.26%

***Operating Lease under Topic 840***

Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments, as well as any unamortized lease incentives, are reflected as deferred rent in the accompanying consolidated statements of financial position as of December 31, 2021.

**KABOOM!, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**15. LEASE COMMITMENTS (CONTINUED)**

*Operating Lease under Topic 840 (Continued)*

As previously disclosed in our 2021 audited consolidated financial statements and under the previous lease accounting, future minimum lease payments as of December 31, 2021, were as follows:

<u>For the Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2022	\$ 534,720
2023	132,419
2024	836,710
2025	836,003
2026	804,091
Thereafter	<u>6,139,743</u>
Total Undiscounted Minimum Lease Payments	<u><u>\$ 9,283,686</u></u>

Operating lease expense, net of sublease revenue received of \$76,400, was \$701,225 in 2022. Rent expense for office space, net of sublease revenue received of \$69,729, was \$601,707 in 2021.

**16. 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 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.

**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.

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**17. CONTINGENT LIABILITY (CONTINUED)**

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, 2022.

**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>2022</b>	2021
<i>Financial Assets</i>		
Cash and Cash Equivalents	<b>\$ 1,101,381</b>	\$ 2,363,974
Contributions and Program Services Receivable, Net	<b>2,569,938</b>	887,733
Accounts Receivable	<b>300,620</b>	230,432
Investments, Current	<b>6,829,028</b>	5,372,394
Investments, Noncurrent	<b>15,773,464</b>	24,509,421
Financial Assets at Year End	<b>26,574,431</b>	33,363,954
Less Unavailable for General Expenditures Due to Net Assets With Donor Restrictions	<b>(4,979,222)</b>	(3,262,615)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<b><u>\$ 21,595,209</u></b>	<b><u>\$ 30,101,339</u></b>

The total financial assets available within one year include the board designated reserve of \$4,500,000 for the years ended December 2022 and 2021.

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.

**19. IMPACT OF COVID-19 AND RECOVERY**

In 2021, KABOOM! received a Paycheck Protection Program (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 as 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.

Also, in 2020, KABOOM! applied for and receive an Economic Injury Disaster Loan (EIDL loan) in the amount of \$150,000. 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.

**KABOOM!, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**19. IMPACT OF COVID-19 AND RECOVERY (CONTINUED)**

The following summarizes future maturities of long-term debt as of December 31, 2022:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 5,388
2024	3,762
2025	3,867
2026	3,975
2027	4,086
Thereafter	128,922
Total Long-Term Obligation	<u>\$ 150,000</u>

**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 grants revenue total in these consolidated financial statements. KABOOM! has been using these funds to undergo a strategic realignment in order to scale and increase their ability to achieve their mission of ending playspace inequity. The change in net assets in the consolidated statements of activities in 2022 includes the costs related to this work which were funded by this gift received in the prior year.

**21. SUBSEQUENT EVENTS**

KABOOM! evaluated subsequent events and transactions through April 26, 2023, the date the consolidated financial statements were available to be issued.