

# **GiGi's Playhouse, Inc. and Subsidiaries**

Consolidated Financial Statements

December 31, 2020 and 2019

# Gigi's Playhouse, Inc. and Subsidiaries

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## Independent Auditors' Report

To the Board of Directors of  
GiGi's Playhouse, Inc. and Subsidiaries

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of GiGi's Playhouse, Inc. and Subsidiaries (the Organization), 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.

### ***Auditors' 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' judgment, including the assessment of the risks 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 accounting 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 GiGi's Playhouse, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

*Baker Tilly US, LLP*

Chicago, Illinois  
June 22, 2021

## GiGi's Playhouse, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 7,182,603	\$ 1,496,999	\$ 8,679,602	\$ 6,044,311	\$ 1,017,112	\$ 7,061,423
Certificates of deposit	693,823	-	693,823	914,464	-	914,464
Accounts receivable, net	117,359	-	117,359	-	-	-
Pledges receivable	135,000	-	135,000	34,143	-	34,143
Inventories	91,756	-	91,756	97,951	-	97,951
Prepaid expenses	245,316	-	245,316	306,753	-	306,753
Other current assets	-	-	-	1,225	-	\$ 1,225
Total current assets	8,465,857	1,496,999	9,962,856	7,398,847	1,017,112	8,415,959
<b>Property and Equipment</b>						
Buildings	845,381	-	845,381	601,850	-	601,850
Furniture and equipment	1,253,723	-	1,253,723	1,201,089	-	1,201,089
Leasehold improvements	4,091,491	-	4,091,491	4,033,776	-	4,033,776
Total	6,190,595	-	6,190,595	5,836,715	-	5,836,715
Less accumulated depreciation	1,983,225	-	1,983,225	1,556,843	-	1,556,843
Total property and equipment, net	4,207,370	-	4,207,370	4,279,872	-	4,279,872
<b>Deposits</b>						
	205,146	-	205,146	206,130	-	206,130
Total assets	\$ 12,878,373	\$ 1,496,999	\$ 14,375,372	\$ 11,884,849	\$ 1,017,112	\$ 12,901,961

See notes to consolidated financial statements

## GiGi's Playhouse, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 97,165	\$ -	\$ 97,165	\$ 75,954	\$ -	\$ 75,954
Accrued payroll, payroll taxes, and other	242,595	-	242,595	117,047	-	117,047
Deferred revenue	288,537	-	288,537	576,247	-	576,247
Deferred rent	398,743	-	398,743	366,177	-	366,177
Line of credit	100,000	-	100,000	-	-	-
Current maturities of long term debt	16,826	-	16,826	16,080	-	16,080
Refundable advance	1,231,861	-	1,231,861	-	-	-
Total current liabilities	2,375,727	-	2,375,727	1,151,505	-	1,151,505
<b>Long-Term Debt, Net</b>	260,648	-	260,648	298,814	-	298,814
Total liabilities	2,636,375	-	2,636,375	1,450,319	-	1,450,319
<b>Net Assets</b>	10,241,998	1,496,999	11,738,997	10,434,530	1,017,112	11,451,642
Total liabilities and net assets	\$ 12,878,373	\$ 1,496,999	\$ 14,375,372	\$ 11,884,849	\$ 1,017,112	\$ 12,901,961

See notes to consolidated financial statements

## GiGi's Playhouse, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Income</b>						
Contributions	\$ 2,572,256	\$ 1,497,290	\$ 4,069,546	\$ 3,214,196	\$ 1,401,753	\$ 4,615,949
Grants	1,550,690	307,428	1,858,118	1,231,363	96,600	1,327,963
Merchandise income	395,749	-	395,749	167,146	-	167,146
In-kind contributions	409,072	-	409,072	856,752	-	856,752
Special events in-kind contributions	805,526	-	805,526	1,099,154	-	1,099,154
Special events	6,769,844	-	6,769,844	8,271,950	-	8,271,950
Miscellaneous revenue	48,931	-	48,931	44,406	-	44,406
Investment return	46,232	-	46,232	37,150	-	37,150
Net assets released from restrictions	1,324,831	(1,324,831)	-	1,713,984	(1,713,984)	-
<b>Total income</b>	<b>13,923,131</b>	<b>479,887</b>	<b>14,403,018</b>	<b>16,636,101</b>	<b>(215,631)</b>	<b>16,420,470</b>
<b>Expenses</b>						
Bad debt expense	29,150	-	29,150	850	-	850
Computer and software	524,906	-	524,906	260,070	-	260,070
Conference fees	16,991	-	16,991	211,491	-	211,491
Cost of goods sold	37,669	-	37,669	54,661	-	54,661
Depreciation	426,384	-	426,384	338,075	-	338,075
Dues and subscriptions	21,512	-	21,512	24,880	-	24,880
Entertainment	115	-	115	2,253	-	2,253
Equipment and equipment rental	23,061	-	23,061	30,531	-	30,531
Filing fees	35,623	-	35,623	37,307	-	37,307
Food and beverage	22,196	-	22,196	66,470	-	66,470
Awareness	1,473,128	-	1,473,128	2,427,989	-	2,427,989
Insurance	74,044	-	74,044	78,665	-	78,665
Maintenance	4,720	-	4,720	9,357	-	9,357
Marketing	83,523	-	83,523	104,611	-	104,611

See notes to consolidated financial statements

## GiGi's Playhouse, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Expenses (cont.)</b>						
Miscellaneous	\$ 219,274	\$ -	\$ 219,274	\$ 196,715	\$ -	\$ 196,715
In-kind expenses	409,072	-	409,072	856,752	-	856,752
Special events in-kind expenses	805,526	-	805,526	1,099,154	-	1,099,154
Office supplies	237,631	-	237,631	254,574	-	254,574
Payroll and benefits	5,466,564	-	5,466,564	4,775,229	-	4,775,229
Payroll taxes	186,365	-	186,365	164,940	-	164,940
Postage and delivery	42,070	-	42,070	29,119	-	29,119
Printing and reproduction	131,141	-	131,141	139,635	-	139,635
Professional fees	933,100	-	933,100	852,645	-	852,645
Program	244,371	-	244,371	573,986	-	573,986
Rent	2,235,093	-	2,235,093	2,067,001	-	2,067,001
Service fees	102,122	-	102,122	84,833	-	84,833
Travel	24,271	-	24,271	87,622	-	87,622
Property taxes	12,675	-	12,675	11,211	-	11,211
Utilities	293,366	-	293,366	269,066	-	269,066
Total expenses	14,115,663	-	14,115,663	15,109,692	-	15,109,692
Change in net assets	(192,532)	479,887	287,355	1,526,409	(215,631)	1,310,778
<b>Net Assets, Beginning</b>	10,434,530	1,017,112	11,451,642	8,908,121	1,232,743	10,140,864
<b>Net Assets, Ending</b>	\$ 10,241,998	\$ 1,496,999	\$ 11,738,997	\$ 10,434,530	\$ 1,017,112	\$ 11,451,642

See notes to consolidated financial statements



**GiGi's Playhouse, Inc. and Subsidiaries**

 Consolidated Statements of Functional Expenses  
 Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
<b>Expenses</b>								
Bad debt expense	\$ 24,778	\$ 1,457	\$ 2,915	\$ 29,150	\$ 680	\$ 51	\$ 119	\$ 850
Computer and software	446,169	26,246	52,491	524,906	208,056	15,604	36,410	260,070
Conference fees	14,442	849	1,700	16,991	169,193	12,689	29,609	211,491
Cost of goods sold	32,018	1,884	3,767	37,669	43,728	3,280	7,653	54,661
Depreciation	362,426	21,319	42,639	426,384	270,459	20,285	47,331	338,075
Dues and subscriptions	18,285	1,075	2,152	21,512	19,904	1,493	3,483	24,880
Entertainment	97	6	12	115	1,803	135	315	2,253
Equipment and equipment rental	19,602	1,153	2,306	23,061	24,425	1,832	4,274	30,531
Filing fees	30,279	1,781	3,563	35,623	29,846	2,238	5,223	37,307
Food and beverage	18,866	1,110	2,220	22,196	53,176	3,988	9,306	66,470
Awareness	1,252,159	73,656	147,313	1,473,128	1,942,392	145,679	339,918	2,427,989
Insurance	62,938	3,702	7,404	74,044	62,932	4,720	11,013	78,665
Maintenance	4,012	236	472	4,720	7,486	561	1,310	9,357
Marketing	70,995	4,176	8,352	83,523	83,688	6,277	14,646	104,611
Miscellaneous	187,199	10,692	21,383	219,274	157,372	11,803	27,540	196,715
In-kind expenses	348,112	20,320	40,640	409,072	685,402	51,405	119,945	856,752
Special events in-kind expenses	684,698	40,276	80,552	805,526	879,323	65,949	153,882	1,099,154
Office supplies	201,986	11,882	23,763	237,631	203,660	15,274	35,640	254,574
Payroll and benefits	4,646,579	273,329	546,656	5,466,564	3,820,183	286,514	668,532	4,775,229
Payroll taxes	158,410	9,318	18,637	186,365	131,952	9,896	23,092	164,940
Postage and delivery	35,760	2,103	4,207	42,070	23,295	1,747	4,077	29,119
Printing and reproduction	111,469	6,557	13,115	131,141	111,708	8,378	19,549	139,635
Professional fees	793,135	46,655	93,310	933,100	682,116	51,159	119,370	852,645
Program	207,716	12,218	24,437	244,371	459,189	34,439	80,358	573,986
Rent	1,899,829	111,755	223,509	2,235,093	1,653,601	124,020	289,380	2,067,001
Service fees	86,804	5,106	10,212	102,122	67,866	5,090	11,877	84,833
Travel	20,630	1,213	2,428	24,271	70,098	5,257	12,267	87,622
Property taxes	10,773	634	1,268	12,675	8,968	673	1,570	11,211
Utilities	249,361	14,668	29,337	293,366	215,253	16,144	37,669	269,066
<b>Total expenses</b>	<b>\$ 11,999,527</b>	<b>\$ 705,376</b>	<b>\$ 1,410,760</b>	<b>\$ 14,115,663</b>	<b>\$ 12,087,754</b>	<b>\$ 906,580</b>	<b>\$ 2,115,358</b>	<b>\$ 15,109,692</b>

See notes to consolidated financial statements

## GiGi's Playhouse, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Cash Flows From Operating Activities</b>						
Change in net assets	\$ (192,532)	\$ 479,887	\$ 287,355	\$ 1,526,409	\$ (215,631)	\$ 1,310,778
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation	426,384	-	426,384	338,075	-	338,075
Unrealized gain on certificates of deposit	(8,006)	-	(8,006)	(3,433)	-	(3,433)
Changes in assets and liabilities:						
Pledges receivable	(100,857)	-	(100,857)	544,016	-	544,016
Accounts receivable	(117,359)	-	(117,359)	-	-	-
Inventory	6,195	-	6,195	(20,969)	-	(20,969)
Prepaid expenses	61,437	-	61,437	(43,986)	-	(43,986)
Deposits	984	-	984	20,868	-	20,868
Other current assets	1,225	-	1,225	(1,015)	-	(1,015)
Accounts payable	21,211	-	21,211	(58,508)	-	(58,508)
Accrued payroll, payroll taxes and other	125,548	-	125,548	10,790	-	10,790
Deferred revenue	(287,710)	-	(287,710)	(13,232)	-	(13,232)
Deferred rent	32,566	-	32,566	38,189	-	38,189
Refundable advance	1,231,861	-	1,231,861	-	-	-
Net cash flows from operating activities	1,200,947	479,887	1,680,834	2,337,204	(215,631)	2,121,573
<b>Cash Flows From Investing Activities</b>						
Proceeds from certificates of deposit	228,647	-	228,647	-	-	-
Purchase of certificates of deposit	-	-	-	(317,760)	-	(317,760)
Proceeds from sale of marketable securities	-	-	-	5,040	-	5,040
Purchase of property and equipment	(353,879)	-	(353,879)	(433,279)	-	(433,279)
Net cash flows from investing activities	(125,232)	-	(125,232)	(745,999)	-	(745,999)

See notes to consolidated financial statements

## GiGi's Playhouse, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Cash Flows From Financing Activities</b>						
Proceeds on long term debt	\$ -	\$ -	\$ -	\$ 18,372	\$ -	\$ 18,372
Payments on long term debt	(37,423)	-	(37,423)	(14,431)	-	(14,431)
Proceeds from line of credit	100,000	-	100,000	-	-	-
Net cash flows from financing activities	62,577	-	62,577	3,941	-	3,941
Net change in cash and cash equivalents	1,138,292	479,887	1,618,179	1,595,146	(215,631)	1,379,515
<b>Cash and Cash Equivalents, Beginning</b>	6,044,311	1,017,112	7,061,423	4,449,165	1,232,743	5,681,908
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 7,182,603</u>	<u>\$ 1,496,999</u>	<u>\$ 8,679,602</u>	<u>\$ 6,044,311</u>	<u>\$ 1,017,112</u>	<u>\$ 7,061,423</u>
	<b>2020</b>	<b>2019</b>				
<b>Supplemental Cash Flow Disclosures</b>						
Cash paid for interest	<u>\$ 14,249</u>	<u>\$ 16,089</u>				

See notes to consolidated financial statements

# GiGi's Playhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

## 1. Nature of Activities

GiGi's Playhouse, Inc. and Subsidiaries (the Organization) are Down syndrome achievement and educational centers. The Organization provides national awareness campaigns, educational programs, activities, resources and support for individuals of all ages with Down syndrome, their families and the community free of any charges.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net Assets Without Donor Restrictions.* Net assets not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions.* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### Principles of Consolidation

All significant intercompany balances and transactions are eliminated in consolidation. As of and for the years ended December 31, 2020 and 2019, the Organization consolidated financial information on an annual basis.

The accompanying consolidated financial statements of the Organization as of and for the years ended December 31, 2020 and 2019 include the activities of the following playhouses:

### Open Playhouses

GiGi's Playhouse-Annapolis, LLC, GiGi's Playhouse-Atlanta, LLC, GiGi's Playhouse-Bradley, LLC, GiGi's Playhouse-Cedar Rapids, LLC, GiGi's Playhouse-Chicago, LLC, GiGi's Playhouse-Cleveland, LLC, GiGi's Playhouse-Des Moines, LLC, GiGi's Playhouse-El Paso, LLC, GiGi's Playhouse-Fargo, LLC, GiGi's Playhouse-Fort Myers, LLC, GiGi's Playhouse-Fort Wayne, LLC, GiGi's Playhouse-Fox Valley, LLC, GiGi's Playhouse-Gainesville, LLC, GiGi's Playhouse-Hillsborough, LLC, GiGi's Playhouse-Hoffman Estates, LLC, GiGi's Playhouse-Houston, LLC, GiGi's Playhouse-Indianapolis, LLC, GiGi's Playhouse-Layton, LLC, GiGi's Playhouse-Madison, LLC, GiGi's Playhouse-McHenry, LLC, GiGi's Playhouse-Milwaukee, LLC, GiGi's Playhouse-Nashville, LLC, GiGi's Playhouse-New York City, LLC, GiGi's Playhouse-Phoenix, LLC, GiGi's Playhouse-Quad Cities, LLC, GiGi's Playhouse-Raleigh, LLC, GiGi's Playhouse-Rochester, LLC, GiGi's Playhouse-Rockford, LLC, GiGi's Playhouse-San Diego, LLC, GiGi's Playhouse-Sioux City, LLC, GiGi's Playhouse-Sugar Land, LLC, GiGi's Playhouse-Syracuse, LLC, GiGi's Playhouse-Tampa Bay, LLC, GiGi's Playhouse-Tinley Park, LLC, GiGi's Playhouse-Twin Cities, LLC, GiGi's Playhouse-Westchester, LLC, GiGi's Playhouse-Little Rock, LLC, GiGi's Playhouse-Southern Tier, LLC, GiGi's Playhouse-Canton, LLC, GiGi's Playhouse-Charlotte, LLC, GiGi's Playhouse-Detroit, LLC, GiGi's Playhouse-Deerfield, LLC, GiGi's Playhouse-Buffalo, LLC, GiGi's Playhouse-Lancaster, LLC, GiGi's Playhouse-Denver, LLC, GiGi's Playhouse-Miami, LLC, GiGi's Playhouse-Long Island, LLC, GiGi's Playhouse-New Orleans, LLC, GiGi's Playhouse-Sacramento, LLC, GiGi's Playhouse-Sugarland, LLC, and GiGi's Playhouse-Wausau, LLC.

## **GiGi's Playhouse, Inc. and Subsidiaries**

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

### **Developing Playhouses**

GiGi's Playhouse-Albuquerque, GiGi's Playhouse-Lincoln, GiGi's Playhouse-Orange County, GiGi's Playhouse-Portland, GiGi's Playhouse-Cincinnati, GiGi's Playhouse-Las Vegas, and GiGi's Playhouse-Tulsa.

### **Cash and Cash Equivalents**

The Organization considers cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Organization places its cash with high quality credit institutions. At times, such cash may be greater than the Federal Depository Insurance Corporation insurance limit. The Organization routinely assesses the financial strength of its banking institution and believes that its cash credit risk exposure is limited. As of December 31, 2020 and 2019, the Company had cash and cash equivalents with donor restrictions of \$1,496,999 and \$1,017,112, respectively, committed to developing playhouses and peer-to-peer support.

### **Certificates of Deposit**

The Organization has investments in certificates of deposit at December 31, 2020 and 2019. The certificates of deposit are recorded at cost plus accrued interest, which approximates fair value.

### **Accounts Receivable**

Accounts receivable are recorded at the invoiced amount and do not bear interest.

An allowance for doubtful accounts is maintained at a level the Organization believes is sufficient to cover potential losses based on historical trends and known current factors impacting the Organizations. When all collectability efforts have been exhausted, receivables are written off when deemed uncollectible and recoveries of receivables previously written off are recorded when received. No allowance was deemed necessary by the Organization as of December 31, 2020 and 2019.

### **Pledges Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using the expected rate of return of a market participant applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. As of December 31, 2020 and 2019, all pledges receivable were expected to be collected within one year of the consolidated statement of financial position.

## GiGi's Playhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

### Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined based upon the first-in-first-out method. Inventories are recorded for the Organization's stock of logo merchandise items such as t-shirts, sweatshirts and hats as well as calendars and are considered finished goods. These items are held for resale to provide additional fundraising for the Organization as well as to further promote positive awareness and other aspects of the Organization's mission. If considered necessary, a provision for potentially obsolete or slow moving inventory would be estimated and recorded based on inventory levels and management's judgment. No such provision was recorded at December 31, 2020 or 2019.

### Property and Equipment

Property and equipment are stated at cost, if purchased, or at estimated fair market value on the date received if donated, less accumulated depreciation. Major improvements and renewals are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets, are expensed currently. For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	10 - 39
Furniture and equipment	3 - 15
Leasehold improvements	Lessor of useful life or remaining lease term

The Organization typically capitalizes purchases of property and equipment with a cost of over \$1,000.

### Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

### Refundable Advance

On various dates throughout 2020, the Organization received loan proceeds in the amount of \$1,231,861 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period.

## GiGi's Playhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

The Organization initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1 percent with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Organization may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

Various playhouses of the Organization met the PPP's loan forgiveness requirements and, therefore, applied for forgiveness on various dates in 2020 and subsequently received legal releases from the SBA for some of the loans in 2021. Therefore, the Organization will record the amounts forgiven, \$665,000, as income in its statement of activities for the year ending December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

### Income Taxes

GiGi's Playhouse, Inc. and Subsidiaries, an Illinois not-for-profit corporation, is exempt from income tax under Section 501 (c)(3) of the U.S. Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509 (a) of the Code. For the years ended December 31, 2020 and 2019, the Organization has no taxable unrelated business income.

The Organization follows the provisions of Accounting Standards Codification (ASC) Topic 740, *Income Taxes, Accounting for Uncertainty in Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Examples of tax positions include the tax-exempt status of the Organization and the continued tax exempt status of various positions related to the potential sources of unrelated business taxable income (UBIT). At December 31, 2020 and 2019, there are no unrecognized tax benefits identified or recorded as liabilities.

### Revenue Recognition

The Organization recognizes revenue when control of a good or service promised in a contract (i.e., a performance obligation) is transferred. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. The Organization's revenues for merchandise are recognized at a point in time as control is transferred at a distinct point in time. When the right of return exists, revenues are reduced at the time of sale to reflect expected product returns that are estimated based on historical experience. In order to support the Organization's mission, the Organization receives donations, grants and in-kind revenue and holds special events to fundraise. Revenue related to contributions and grants is recognized in the year of receipt. Special event income is recognized at a point in time upon the special event being held. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

## GiGi's Playhouse, Inc. and Subsidiaries

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### Deferred Revenue

Certain revenue related to special events is deferred and subsequently recognized once the event takes place. Expenses are recognized in the same period as the revenue.

### Contributions

Contributions, including unconditional promises to give, are generally available for unrestricted use in the related year unless specifically restricted by the donor. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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.

Contributions of donated noncash assets are recorded at their estimated fair market values in the year received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by those individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. In-kind expenses are recorded in the same amount as the contribution as a decrease in net assets.

For the years ended December 31, 2020 and 2019, in-kind contributions includes \$175,543 and \$182,240 of contributed services, respectively, and \$233,529 and \$674,512 of contributed goods, respectively. For the years ended December 31, 2020 and 2019, special events in-kind contributions includes \$60,001 and \$108,329 of contributed services, respectively, and \$745,525 and \$990,825 of contributed goods, respectively.

Approximately 6,000 and 11,800 people volunteered at the various locations for the years ended December 31, 2020 and 2019, respectively. Community members volunteer as administrative assistants, advisors, event coordinators, teachers, etc. A dollar valuation of their effort is not reflected in the consolidated financial statements because it does not meet the criteria for recognition. The value of these services is not readily determinable.

### Special Event Income

During the years ended December 31, 2020 and 2019, the Organization held various special events. The events included galas, run/walk events, golf outings, fashion shows, bike rides, wine tastings, bingo, dance-a-thons, bowl-a-thons and other similar events.

### Advertising

Advertising/marketing costs are charged to expense in the period incurred. Advertising expense was \$83,523 and \$104,611 for the years ended December 31, 2020 and 2019, respectively.

### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services identified. The types of expenses that are allocated include rent and depreciation and amortization, which are allocated on a square footage or units of service basis, as well as salaries and wages, employee benefits, payroll taxes, contract services and accounting fees, which are allocated based on estimated time and effort.



# GiGi's Playhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

## Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For example, in these consolidated financial statements, estimates are used for the value of donated goods and services and for the useful life of depreciable assets.

## Subsequent Events

The Company has evaluated subsequent events occurring through June 22, 2021, the date the financial statements were available to be issued, and has determined that all subsequent events have been appropriately recognized and disclosed in the accompanying consolidated financial statements.

## Recent Accounting Pronouncements

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the consolidated balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which delayed the effective date for certain entities. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Organization is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

## 3. Investment Return

The following schedule summarizes the investment return on certificates of deposits and its classification in the consolidated statements of activities for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 38,226	\$ 33,717
Unrealized gains	8,006	3,433
Investment return	<u>\$ 46,232</u>	<u>\$ 37,150</u>

## 4. Long-Term Debt

On October 28, 2014, the Organization entered into a mortgage loan agreement with a revolving line of credit for \$400,000 with a bank for the purchase of a building in Des Moines, Iowa. The note matured on October 28, 2019 and was subsequently renewed in the amount of \$329,579. The interest rate on this note was 4.25 percent at December 31, 2020 and 2019. The principal and interest on the note shall be repaid in monthly installments of \$2,491 through the maturity date, when a final installment will be due in the amount necessary to repay any unpaid principal and accrued interest not yet paid. The outstanding balance on the mortgage loan was \$277,474 and \$314,894 as of December 31, 2020 and 2019, respectively. Interest expense incurred for the years ended December 31, 2020 and 2019 was \$13,812 and \$16,089, respectively.

## GiGi's Playhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

December 31, 2020 and 2019

At December 31, 2020 and 2019, the Organization was not subject to any compliance requirements associated with restrictive financial covenants of its bank loan.

Annual maturities of long-term debt outstanding at December 31, 2020 are as follows:

2021	\$	16,826
2022		17,566
2023		18,338
2024		<u>224,744</u>
Total	\$	<u>277,474</u>

#### 5. Operating Leases

The Organization has noncancelable operating leases for buildings and office equipment. These leases expire at various dates through March 2028. Rental expense for the years ended December 31, 2020 and 2019 was \$2,235,093 and \$2,067,001, respectively.

At December 31, 2020, future minimum rental payments related to these leases are as follows:

2021	\$	1,644,099
2022		1,330,076
2023		1,075,329
2024		710,813
2025		568,483
Thereafter		<u>614,167</u>
	\$	<u>5,942,967</u>

#### 6. Line of Credit

The Organization has a revolving line of credit agreement with Barrington Bank & Trust Company, N.A. (the Bank). Under the revolving line of credit agreement, the Organization has total maximum available borrowings of approximately \$750,000 as of December 31, 2020 and 2019. Interest is payable monthly and the interest rate is variable based on the prime rate. The interest rates as of December 31, 2020 and 2019 were 5.00 percent. Under the agreement with the Bank, the Organization is not subject to any covenants.

The line of credit agreement was renewed on July 7, 2020 and is set to expire on July 31, 2021. The Organization had \$100,000 and \$0 borrowings under this agreement as of December 31, 2020 and 2019, respectively. The line of credit is collateralized by substantially all of the Organization's assets.

#### 7. Fair Value Measurements

Fair value is defined in the guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

## GiGi's Playhouse, Inc. and Subsidiaries

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Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2020 and 2019 based upon the three-tier hierarchy:

	2020			
	Total	Level 1	Level 2	Level 3
Certificates of deposit	\$ 693,823	\$ 693,823	\$ -	\$ -
Total	\$ 693,823	\$ 693,823	\$ -	\$ -
	2019			
	Total	Level 1	Level 2	Level 3
Certificates of deposit	\$ 914,464	\$ 914,464	\$ -	\$ -
Total	\$ 914,464	\$ 914,464	\$ -	\$ -

### 8. Liquidity and Availability

Financial assets available for general expenditure within one year of the date of the consolidated statements of financial position consist of the following as of December 31:

	2020	2019
Cash and cash equivalents	\$ 8,679,602	\$ 7,061,423
Accounts receivable	117,359	-
Pledges receivable	135,000	34,143
Certificates of deposit	693,823	914,464
Total	\$ 9,625,784	\$ 8,010,030

Additionally, the Organization has an available balance of \$650,000 and \$750,000 on its line of credit as of December 31, 2020 and 2019, respectively.

## GiGi's Playhouse, Inc. and Subsidiaries

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### 9. Net Assets

Net assets with donor restrictions consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Programs (speech, literacy, math, etc)	\$ 1,156,519	\$ 774,659
GiGi University	43,160	140,346
Hugs and Mugs	75,000	52,107
GiGi's Kitchen	75,000	-
GiGi's Professional	66,427	-
Other donor designations	80,893	50,000
	<u>80,893</u>	<u>50,000</u>
Total	<u>\$ 1,496,999</u>	<u>\$ 1,017,112</u>

During the course of the year, net assets whose use by the Organization were subject to donor-imposed restrictions were fulfilled by actions of the Organization pursuant to those restrictions, the expiration of time, or the designation of law. These assets are shown in the statements of activities as a release of net assets with donor restrictions. A detail of the net assets released from restrictions for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Programs (salaries, learning materials)	\$ 869,091	\$ 834,899
Events	5,649	9,677
Grants	380,917	334,276
Other donor designated spending	69,174	535,132
	<u>69,174</u>	<u>535,132</u>
Total	<u>\$ 1,324,831</u>	<u>\$ 1,713,984</u>