

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**BUILDON, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2018, with Summarized Financial Information for 2017	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	7
NOTES TO FINANCIAL STATEMENTS	8 - 16



## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
buildOn, Inc.  
Stamford, Connecticut

We have audited the accompanying financial statements of buildOn, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of buildOn, Inc. as of December 31, 2018, and the change 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRFCPA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **Report on Summarized Comparative Information**

We have previously audited buildOn, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2017, is consistent in all material respects with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

November 7, 2019

## BUILDON, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,267,942	\$ 2,783,477
Investments	6,867,856	7,264,035
Contributions receivable, net of allowance	4,424,284	3,278,500
Prepaid expenses	249,642	41,414
Other current assets	<u>7,105</u>	<u>7,105</u>
Total current assets	<u>13,816,829</u>	<u>13,374,531</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computers and related equipment	123,743	119,521
Vehicles	597,614	586,433
Other	<u>8,458</u>	<u>2,872</u>
	729,815	708,826
Less: Accumulated depreciation and amortization	<u>(584,454)</u>	<u>(498,240)</u>
Net property and equipment	<u>145,361</u>	<u>210,586</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,962,190</u></b>	<b><u>\$ 13,585,117</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ <u>366,735</u>	\$ <u>537,537</u>
<b>NET ASSETS</b>		
Without donor restrictions	4,483,624	5,783,990
With donor restrictions	<u>9,111,831</u>	<u>7,263,590</u>
Total net assets	<u>13,595,455</u>	<u>13,047,580</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 13,962,190</u></b>	<b><u>\$ 13,585,117</u></b>

## BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Foundations and corporations	\$ 2,234,250	\$ 4,149,294	\$ 6,383,544	\$ 7,927,364
Individuals	5,394,758	6,152,150	11,546,908	8,569,192
Special events, net of expenses of \$959,915 in 2018 and \$913,762 in 2017	396,485	122,000	518,485	267,779
In-kind contributions	1,830,743	-	1,830,743	2,396,022
Interest	439	-	439	594
Gain on sale of property and equipment	2,775	-	2,775	-
Merchandise sales	-	-	-	6,411
Net assets released from donor restrictions	<u>8,575,203</u>	<u>(8,575,203)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,434,653</u>	<u>1,848,241</u>	<u>20,282,894</u>	<u>19,167,362</u>
<b>EXPENSES</b>				
Program Services:				
International Building Schools, including donated goods and services of \$1,496,270 in 2018 and \$1,489,236 in 2017	10,884,305	-	10,884,305	10,294,566
U.S. After-School, including donated goods and services of \$160,212 in 2018 and \$195,212 in 2017	5,481,783	-	5,481,783	5,408,970
International Adult Literacy	<u>126,187</u>	<u>-</u>	<u>126,187</u>	<u>133,493</u>
Total program services	<u>16,492,275</u>	<u>-</u>	<u>16,492,275</u>	<u>15,837,029</u>
Supporting Services:				
Management and General, including donated goods and services of \$174,261 in 2018 and \$689,898 in 2017	685,120	-	685,120	1,441,721
Development, including donated goods and services of \$0 in 2018 and \$21,676 in 2017	<u>1,869,812</u>	<u>-</u>	<u>1,869,812</u>	<u>1,853,976</u>
Total supporting services	<u>2,554,932</u>	<u>-</u>	<u>2,554,932</u>	<u>3,295,697</u>
Total expenses	<u>19,047,207</u>	<u>-</u>	<u>19,047,207</u>	<u>19,132,726</u>
Change in net assets before other items	<u>(612,554)</u>	<u>1,848,241</u>	<u>1,235,687</u>	<u>34,636</u>
<b>OTHER ITEMS</b>				
Dividends	156,309	-	156,309	143,652
Realized gain on sales of investments	182,841	-	182,841	229,108
Unrealized (loss) gain on investments	(727,874)	-	(727,874)	664,971
Investment expenses	(21,359)	-	(21,359)	(19,574)
Net foreign exchange loss	(32,424)	-	(32,424)	(33,038)
Bad debts and change in allowance	<u>(245,305)</u>	<u>-</u>	<u>(245,305)</u>	<u>(133,800)</u>
Total other items	<u>(687,812)</u>	<u>-</u>	<u>(687,812)</u>	<u>851,319</u>
Change in net assets	(1,300,366)	1,848,241	547,875	885,955
Net assets at beginning of year	<u>5,783,990</u>	<u>7,263,590</u>	<u>13,047,580</u>	<u>12,161,625</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 4,483,624</u></b>	<b><u>\$ 9,111,831</u></b>	<b><u>\$ 13,595,455</u></b>	<b><u>\$ 13,047,580</u></b>

See accompanying notes to financial statements.

## BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018							2017	
	Program Services			Supporting Services				Total Expenses	Total Expenses
	International Building Schools	International U.S. After-School	International Adult Literacy	Total Program Services	Management and General	Development	Total Supporting Services		
Salaries and wages	\$ 2,824,692	\$ 3,667,658	\$ -	\$ 6,492,350	\$ 201,425	\$ 954,785	\$ 1,156,210	\$ 7,648,560	\$ 7,207,182
Payroll taxes and benefits	659,194	945,967	-	1,605,161	58,218	219,957	278,175	1,883,336	1,918,427
Total salaries and benefits	3,483,886	4,613,625	-	8,097,511	259,643	1,174,742	1,434,385	9,531,896	9,125,609
Construction	3,748,834	574	-	3,749,408	242	-	242	3,749,650	3,735,076
Contractor fees	1,461,263	10,337	-	1,471,600	21,318	(3,580)	17,738	1,489,338	1,537,830
Professional fees	4,460	1,665	-	6,125	188,533	-	188,533	194,658	226,641
Occupancy	126,456	245,593	-	372,049	22,478	26,568	49,046	421,095	603,183
Conference and meetings	61,572	13,555	37,952	113,079	11,783	28,601	40,384	153,463	580,018
Travel	1,382,658	311,579	13,799	1,708,036	18,362	190,507	208,869	1,916,905	1,835,193
Insurance	72,191	67,973	-	140,164	11,093	29,556	40,649	180,813	181,796
Postage	5,699	367	-	6,066	2,271	6,430	8,701	14,767	21,783
Printing and publications	24,792	202	-	24,994	1,614	71,264	72,878	97,872	104,938
Repairs and maintenance	84,387	21	1,498	85,906	125	786	911	86,817	115,935
Supplies	179,966	139,769	7,281	327,016	5,464	22,277	27,741	354,757	361,501
Telephone and communications	61,485	30,756	2,346	94,587	11,489	6,742	18,231	112,818	100,873
Stipends	42,846	300	47,717	90,863	-	-	-	90,863	91,802
Depreciation and amortization	95,128	-	-	95,128	-	-	-	95,128	94,881
Software and related	3,983	8,335	-	12,318	40,834	75,636	116,470	128,788	89,083
Bank charges	10,741	1,359	-	12,100	25,107	176,305	201,412	213,512	206,236
Miscellaneous	33,958	35,773	15,594	85,325	64,764	63,978	128,742	214,067	120,348
Total expenses	10,884,305	5,481,783	126,187	16,492,275	685,120	1,869,812	2,554,932	19,047,207	19,132,726
Special event expenses	-	-	-	-	-	959,915	959,915	959,915	913,762
Bad debts and change in allowance	-	-	-	-	245,305	-	245,305	245,305	133,800
<b>TOTAL</b>	<b>\$ 10,884,305</b>	<b>\$ 5,481,783</b>	<b>\$ 126,187</b>	<b>\$ 16,492,275</b>	<b>\$ 930,425</b>	<b>\$ 2,829,727</b>	<b>\$ 3,760,152</b>	<b>\$ 20,252,427</b>	<b>\$ 20,180,288</b>

See accompanying notes to financial statements.

## BUILDON, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 547,875	\$ 885,955
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	95,128	94,881
Gain on sale of property and equipment	(2,775)	(4,770)
Realized gain on sales of investments	(182,841)	(229,108)
Unrealized loss (gain) on investments	727,874	(664,971)
Stock donations	(115,392)	(5,607)
Increase in allowance for doubtful accounts	25,000	30,000
Increase in:		
Contributions receivable	(1,170,784)	(478,901)
Prepaid expenses	(208,228)	(23)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(170,802)</u>	<u>232,804</u>
Net cash used by operating activities	<u>(454,945)</u>	<u>(139,740)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(29,978)	(24,317)
Proceeds from sales of property and equipment	2,850	4,770
Purchases of investments	(1,175,973)	(6,028,802)
Proceeds from sales of investments	<u>1,142,511</u>	<u>5,635,501</u>
Net cash used by investing activities	<u>(60,590)</u>	<u>(412,848)</u>
Net decrease in cash and cash equivalents	(515,535)	(552,588)
Cash and cash equivalents at beginning of year	<u>2,783,477</u>	<u>3,336,065</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,267,942</u></b>	<b><u>\$ 2,783,477</u></b>



## BUILDOn, Inc.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

buildOn, Inc. is a not-for-profit corporation headquartered in Stamford, Connecticut. buildOn, Inc. was established in 1991, and its mission is to break the cycle of poverty, illiteracy and low expectations through service and education.

In line with this mission, buildOn, Inc. runs service learning programs in challenged urban high schools. It empowers U.S. youth to contribute direct service to their communities - working with senior citizens, the homeless, and younger children. These same students help build schools in some of the economically poorest countries in the world. 97% of buildOn, Inc.'s students in the U.S. not only graduate from high school, they go on to college. Internationally, buildOn, Inc. schools provide access to education for 198,539 children, parents and grandparents every day.

Since buildOn, Inc.'s inception, the students it serves have contributed 2,250,340 hours of service in the U.S., and have helped build 1,444 schools, 205 of which were completed during 2018, in the following locations: Bolivia (8), Brazil (2), Burkina Faso (87), Haiti (161), India (3), Malawi (267), Mali (320), Nepal (218), Nicaragua (234), Senegal (143), and the United States (1). The majority of buildOn, Inc.'s revenues are generated by donations from individuals, corporations and foundations, which are used to aid in the construction of schoolhouses in remote villages around the world. Ownership of the schools vests with the local communities in which they are built when constructed.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with buildOn, Inc.'s financial statements as of and for the year ended December 31, 2017, from which the summarized information was derived.

##### Cash and cash equivalents -

buildOn, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, buildOn, Inc. maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

At December 31, 2018, buildOn, Inc. maintained approximately \$296,000 of cash and cash equivalents at financial institutions in foreign countries (and on hand) to support operations in those countries. The majority of funds invested in foreign banking institutions are uninsured.

##### Foreign currency translation -

The functional currency of buildOn, Inc. is the U.S. Dollar. The financial statements and transactions of buildOn, Inc.'s foreign operations are generally maintained in the applicable local currency.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Foreign currency translation (continued) -

When local currencies are used, assets and liabilities are translated into U.S. Dollars in the accompanying Statement of Financial Position at the spot exchange rate in effect as of December 31, 2018. Transactions in currencies other than U.S. dollars are translated into U.S. dollars at the rates of exchange in effect during the month of the transaction. In the accompanying Statement of Activities and Change in Net Assets, net gains or losses resulting from these transactional exchanges are recognized as an "Other Item" of income or expense. During the year ended December 31, 2018, net losses on foreign exchange totaled \$32,424.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in "Other Items" in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. buildOn, Inc.'s policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. Any current period expense related to reserving (or writing-off) contributions receivable is presented as a management and general expense in the accompanying financial statements.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years.

Income taxes -

buildOn, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, buildOn, Inc. was subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 was deemed immaterial to the financial statements. buildOn, Inc. is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, buildOn, Inc. has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Net asset classification (continued) -

Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) 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 Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grant awards received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

In-kind contributions -

In-kind contributions consist of donated services, office space and facilities. Land contributions (for site development) are received by the local community in which the school is constructed. Accordingly, such amounts are excluded from buildOn, Inc.'s revenue and expenses, as land is utilized by buildOn, Inc. solely to construct the school.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by buildOn, Inc.. Labor associated with site development (including school construction) is recognized in the Statement of Activities and Change in Net Assets as support in the period received. Contributions totaling \$1,496,270 are included as both revenue and expense in the accompanying Statement of Activities and Change in Net Assets. All in-kind contributions are recorded at their fair value at the time the donation is received.

buildOn, Inc. occupies office space and facilities at no cost, valued at \$160,212; these donations have been reported in revenue as in-kind contributions revenue, and as occupancy expense (in the statement of functional expenses), and are allocated to the program and supporting services benefited. buildOn, Inc. also received \$174,261 in donated legal services, construction materials and other project-specific goods/materials as well as professional services. These contributions have similarly been reported as in-kind contributions revenue, and included in the respective expense categories (in the accompanying Statement of Functional Expenses).

**BUILDOn, Inc.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

In-kind contributions (continued) -

All contributions are recorded at their fair value at the time the donation is received. In addition, volunteers have donated significant amounts of their time to buildOn, Inc.; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and uncertainties -

buildOn, Inc. invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

buildOn, Inc. adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. buildOn, Inc. accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Occupancy cost, depreciation, and office costs are allocated based on square footage used in carrying out specific activities.

Special event expenses -

The Statement of Functional Expenses includes special event expenses which are deducted from special event revenue in the Statement of Activities and Change in Net Assets.

New accounting pronouncements not yet adopted -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09).

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements not yet adopted (continued) -

The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. buildOn, Inc. has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. buildOn, Inc. has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

buildOn, Inc. plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$5,783,990 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$7,263,590 are now classified as "net assets with donor restrictions".

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>
<b>Mutual Funds</b>	<b>\$ <u>6,297,397</u></b>	<b>\$ <u>6,867,856</u></b>

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**3. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2018:

International Building Schools	\$ 7,697,535
U.S. After-School	<u>1,414,296</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ <u>9,111,831</u></b>

The following net assets were released from restrictions by incurring expenses (or through the passage of time), satisfying the restrictions imposed by the donors:

International Building Schools	\$ 2,454,086
U.S. After-School	<u>6,121,117</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ <u>8,575,203</u></b>

**4. RETIREMENT PLAN**

buildOn, Inc. provides retirement benefits to its full-time employees through a plan under IRS Section 403(b) of the Internal Revenue Code. buildOn, Inc. contributes 100% of all employee contributions up to \$1,500. Contributions made (by buildOn, Inc.) to the plan during the year ended December 31, 2018, totaled \$60,121.

**5. LEASES**

buildOn, Inc. maintains its headquarters office in Stamford, Connecticut, and also rents out various other office locations within the United States (where buildOn, Inc.'s regional branches are based), most of which are under short-term agreements that do not require payment of rent. During the year ended December 31, 2018, the fair value of the contributed office space totaled \$160,212, and total paid office space costs aggregated \$175,000. Accordingly, total 2018 U.S. rent expense, including in-kind office space, totaled \$335,212.

buildOn, Inc. leases office space in foreign countries under short-term rental agreements. The total paid by buildOn, Inc. for all foreign office spaces during the year ended December 31, 2018 totaled \$60,000.

Total worldwide occupancy expense (including utilities of \$25,883 and paid/in-kind office space of \$395,212) totaled \$421,095 during the year ended December 31, 2018.

**6. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, buildOn, Inc. has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy (there were no transfers between levels in the hierarchy during the year). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**6. FAIR VALUE MEASUREMENT (Continued)**

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market buildOn, Inc. has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by buildOn, Inc. are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by buildOn, Inc. are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, buildOn, Inc.'s investments:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2018</u>
<b>Asset Class:</b>				
<b>Mutual Funds</b>	\$ <u>6,867,856</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,867,856</u>

**7. FUND ACTING AS AN ENDOWMENT (FAE)**

buildOn, Inc.'s FAE consists of funds designated by the Board of Directors to function as a backstop for growth and for short term liquidity needs. buildOn, Inc. considers the following factors in making a determination to appropriate or accumulate its FAE funds:

- The duration and preservation of the fund;
- The purpose of buildOn, Inc. and the FAE fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of buildOn, Inc.

Following is the FAE composition, by net asset type, as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>FAE NET ASSETS</b>	\$ <u>6,867,856</u>	\$ <u>-</u>	\$ <u>6,867,856</u>

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. FUND ACTING AS AN ENDOWMENT (FAE) (Continued)**

Following are the changes in the FAE, by net asset type, during the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE net assets, beginning of year	\$ <u>7,258,428</u>	\$ <u>-</u>	\$ <u>7,258,428</u>
Investment return:			
Investment income	156,309	-	156,309
Net realized and unrealized losses	<u>(545,033)</u>	<u>-</u>	<u>(545,033)</u>
Total investment return	<u>(388,724)</u>	<u>-</u>	<u>(388,724)</u>
Contributions	115,392	-	115,392
Appropriation of FAE assets for expenditure (liquidations)	<u>(117,240)</u>	<u>-</u>	<u>(117,240)</u>
<b>FAE NET ASSETS, END OF YEAR</b>	<b>\$ <u>6,867,856</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>6,867,856</u></b>

The investment objectives for the management of buildOn, Inc.'s FAE are to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets against inflation. Subject to the ultimate approval of the Board of Directors, these objectives shall be implemented and monitored by the Investment Committee.

The general policy shall be to diversify investments within both equity and fixed income mutual funds to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment style.

The FAE income under this investment policy shall be defined on a total return basis (i.e. including realized and unrealized gains/losses). The exact amount of total withdrawals made in a year, if any, shall be as set forth in buildOn, Inc.'s budget as approved annually by the Board of Directors.

**8. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 2,267,942
Investments	6,867,856
Contributions receivable	<u>4,424,284</u>
Subtotal financial assets available within one year	13,560,082
Less: Donor restricted funds	<u>(9,111,831)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ <u>4,448,251</u></b>



**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**8. LIQUIDITY AND AVAILABILITY (Continued)**

buildOn, Inc. is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, buildOn, Inc. must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of buildOn, Inc.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, buildOn, Inc. invests cash in excess of daily requirements in highly liquid investments (mutual funds). The Board of Directors has designated a portion of each year's operating surplus to its liquidity reserve, which in the aggregate totaled \$6,867,856 as of December 31, 2018. This fund may be drawn upon in the event of financial distress or an immediate liquidity need resulting from the timing of cash receipts versus outlays.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, buildOn, Inc. has evaluated events and transactions for potential recognition or disclosure through November 7, 2019, the date the financial statements were issued.