

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

BUILDON, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2019, with Summarized Financial Information for 2018	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	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, 2019, 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, 2019, 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

Report on Summarized Comparative Information

We have previously audited buildOn, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2018, is consistent in all material respects with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

November 3, 2020

BUILDON, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,924,021	\$ 2,267,942
Investments	9,295,874	6,867,856
Contributions receivable, net of allowance	5,124,427	4,424,284
Prepaid expenses and other assets	<u>90,747</u>	<u>200,314</u>
Total current assets	<u>16,435,069</u>	<u>13,760,396</u>
PROPERTY AND EQUIPMENT		
Computers and related equipment	132,182	123,743
Vehicles	698,496	597,614
Other	<u>37,539</u>	<u>8,458</u>
	868,217	729,815
Less: Accumulated depreciation and amortization	<u>(685,513)</u>	<u>(584,454)</u>
Net property and equipment	<u>182,704</u>	<u>145,361</u>
NONCURRENT ASSETS		
Security deposits	<u>35,048</u>	<u>56,433</u>
TOTAL ASSETS	<u>\$ 16,652,821</u>	<u>\$ 13,962,190</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>699,029</u>	\$ <u>366,735</u>
Total current liabilities	<u>699,029</u>	<u>366,735</u>
NONCURRENT LIABILITIES		
Deferred rent abatement	<u>52,328</u>	<u>-</u>
Total liabilities	<u>751,357</u>	<u>366,735</u>
NET ASSETS		
Without donor restrictions	8,494,735	4,483,624
With donor restrictions	<u>7,406,729</u>	<u>9,111,831</u>
Total net assets	<u>15,901,464</u>	<u>13,595,455</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,652,821</u>	<u>\$ 13,962,190</u>

See accompanying notes to financial statements.

BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Foundations and corporations	\$ 1,039,610	\$ 4,610,230	\$ 5,649,840	\$ 6,383,544
Individuals	4,632,459	6,438,259	11,070,718	11,546,908
Special events, net of expenses of \$900,585 in 2019 and \$959,915 in 2018	326,495	-	326,495	518,485
In-kind contributions	2,295,747	-	2,295,747	1,830,743
Interest	624	-	624	439
Gain on sale of property and equipment	-	-	-	2,775
Net assets released from donor restrictions	<u>12,753,591</u>	<u>(12,753,591)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>21,048,526</u>	<u>(1,705,102)</u>	<u>19,343,424</u>	<u>20,282,894</u>
EXPENSES				
Program Services:				
International Building Schools, including donated goods and services of \$1,960,549 in 2019 and \$1,496,270 in 2018	10,825,227	-	10,825,227	10,884,305
U.S. After-School, including donated goods and services of \$160,212 in 2019 and \$160,212 in 2018	4,310,597	-	4,310,597	5,481,783
International Adult Literacy	<u>129,579</u>	<u>-</u>	<u>129,579</u>	<u>126,187</u>
Total program services	<u>15,265,403</u>	<u>-</u>	<u>15,265,403</u>	<u>16,492,275</u>
Supporting Services:				
Management and General, including donated goods and services of \$174,986 in 2019 and \$174,261 in 2018	892,710	-	892,710	685,120
Development	<u>1,738,933</u>	<u>-</u>	<u>1,738,933</u>	<u>1,869,812</u>
Total supporting services	<u>2,631,643</u>	<u>-</u>	<u>2,631,643</u>	<u>2,554,932</u>
Total expenses	<u>17,897,046</u>	<u>-</u>	<u>17,897,046</u>	<u>19,047,207</u>
Change in net assets before other items	<u>3,151,480</u>	<u>(1,705,102)</u>	<u>1,446,378</u>	<u>1,235,687</u>
OTHER ITEMS				
Dividends	211,836	-	211,836	156,309
Realized (loss) gain on sales of investments	(23,554)	-	(23,554)	182,841
Unrealized gain (loss) on investments	1,171,057	-	1,171,057	(727,874)
Investment expenses	(31,321)	-	(31,321)	(21,359)
Net foreign exchange gain (loss)	11,451	-	11,451	(32,424)
Bad debts and change in allowance	<u>(479,838)</u>	<u>-</u>	<u>(479,838)</u>	<u>(245,305)</u>
Total other items	<u>859,631</u>	<u>-</u>	<u>859,631</u>	<u>(687,812)</u>
Change in net assets	4,011,111	(1,705,102)	2,306,009	547,875
Net assets at beginning of year	<u>4,483,624</u>	<u>9,111,831</u>	<u>13,595,455</u>	<u>13,047,580</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,494,735</u>	<u>\$ 7,406,729</u>	<u>\$ 15,901,464</u>	<u>\$ 13,595,455</u>

BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019							2018	
	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	\$ 2,682,865	\$ 3,063,629	\$ -	\$ 5,746,494	\$ 226,717	\$ 881,684	\$ 1,108,401	\$ 6,854,895	\$ 7,648,560
Payroll taxes and benefits	638,298	791,852	-	1,430,150	42,557	170,107	212,664	1,642,814	1,883,336
Total salaries and benefits	3,321,163	3,855,481	-	7,176,644	269,274	1,051,791	1,321,065	8,497,709	9,531,896
Construction	3,189,258	-	-	3,189,258	-	-	-	3,189,258	3,749,650
Contractor fees	1,959,094	56	-	1,959,150	81,341	6,798	88,139	2,047,289	1,489,338
Professional fees	28,235	-	-	28,235	203,005	-	203,005	231,240	194,658
Occupancy	74,196	237,224	184	311,604	119,017	22,397	141,414	453,018	421,095
Conference and meetings	42,921	6,601	44,424	93,946	16,855	33,646	50,501	144,447	153,463
Travel	1,558,796	38,226	22,573	1,619,595	45,621	162,018	207,639	1,827,234	1,916,905
Insurance	85,805	52,137	262	138,204	11,149	19,605	30,754	168,958	180,813
Postage	4,255	366	-	4,621	4,286	3,170	7,456	12,077	14,767
Printing and publications	613	147	-	760	14,075	64,036	78,111	78,871	97,872
Repairs and maintenance	76,195	-	1,145	77,340	-	-	-	77,340	86,817
Supplies	267,399	89,523	16,244	373,166	12,339	61,768	74,107	447,273	354,757
Telephone and communications	65,096	24,282	2,537	91,915	14,462	7,750	22,212	114,127	112,818
Stipends	-	-	35,528	35,528	-	-	-	35,528	90,863
Depreciation and amortization	97,480	-	-	97,480	3,579	-	3,579	101,059	95,128
Software and related	-	532	-	532	37,518	98,249	135,767	136,299	128,788
Bank charges	9,391	1,294	-	10,685	53,490	165,417	218,907	229,592	213,512
Miscellaneous	45,330	4,728	6,682	56,740	6,699	42,288	48,987	105,727	214,067
Total expenses	10,825,227	4,310,597	129,579	15,265,403	892,710	1,738,933	2,631,643	17,897,046	19,047,207
Special event expenses	-	-	-	-	-	900,585	900,585	900,585	959,915
Bad debts and change in allowance	-	-	-	-	479,838	-	479,838	479,838	245,305
TOTAL	\$ 10,825,227	\$ 4,310,597	\$ 129,579	\$ 15,265,403	\$ 1,372,548	\$ 2,639,518	\$ 4,012,066	\$ 19,277,469	\$ 20,252,427

See accompanying notes to financial statements.

BUILDON, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,306,009	\$ 547,875
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	101,059	95,128
Gain on sale of property and equipment	-	(2,775)
Realized loss (gain) on sales of investments	23,554	(182,841)
Unrealized (gain) loss on investments	(1,171,057)	727,874
Receipt of donated investments	(31,480)	(115,392)
Proceeds from sales of donated investments	31,480	115,392
Deferred rent abatement	52,328	-
Increase in allowance for doubtful accounts	266,096	25,000
(Increase) decrease in:		
Contributions receivable	(966,239)	(1,170,784)
Prepaid expenses and other assets	109,567	(158,188)
Security deposits	21,385	(50,040)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>332,294</u>	<u>(170,802)</u>
Net cash provided (used) by operating activities	<u>1,074,996</u>	<u>(339,553)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(138,402)	(29,978)
Proceeds from sales of property and equipment	-	2,850
Purchases of investments	(1,999,199)	(1,175,973)
Proceeds from sales of investments	<u>718,684</u>	<u>1,027,119</u>
Net cash used by investing activities	<u>(1,418,917)</u>	<u>(175,982)</u>
Net decrease in cash and cash equivalents	(343,921)	(515,535)
Cash and cash equivalents at beginning of year	<u>2,267,942</u>	<u>2,783,477</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,924,021</u>	<u>\$ 2,267,942</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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. Approximately 98% 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 224,910 children, parents and grandparents every day.

Since buildOn, Inc.'s inception, the students it serves have contributed 2,353,347 hours of service in the U.S., and have helped build 1,614 schools, 170 of which were completed during 2019, in the following locations: Bolivia (8), Brazil (2), Burkina Faso (97), Guatemala (11), Haiti (171), India (3), Malawi (315), Mali (329), Nepal (249), Nicaragua (243), Senegal (185), 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.

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 of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 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.

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, 2018, from which the summarized information was derived.

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

New accounting pronouncements adopted -

During 2019, buildOn, Inc. early-adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way buildOn, Inc. recognized revenue; however, the presentation and disclosures of revenue have been enhanced. buildOn, Inc. has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, buildOn, Inc. adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. buildOn, Inc. adopted the ASU using a modified prospective basis.

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, 2019, buildOn, Inc. maintained approximately \$207,000 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. 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, 2019. 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, 2019, net gains on foreign exchange totaled \$11,451.

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.

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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. buildOn, Inc. is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, 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.

Revenue recognition -

The majority of buildOn, Inc.'s revenue is received through contributions from corporations, foundations and individuals. Contributions are recognized in the appropriate category of net assets in the period received. buildOn, Inc. performs an analysis of awards to determine if the revenue streams follow the contribution rules, or if they should be recorded as exchange transactions, depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional and have 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.

Contributions and grants qualifying as conditional contributions contain a right of return (and a release from obligation) coupled with a specific barrier (or barriers). These awards are nonreciprocal and classified as conditional, and are therefore recognized as contributions when a barrier is lifted and the revenue becomes unconditional. While buildOn, Inc. raises funds from donors for school construction activities, those awards are not treated as conditional contributions as the right of return (and a release from obligation) is removed at the point in time when the school construction plans are drafted and the local community has agreed to accept the project, which generally happens concurrently when donors make funding commitments. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of December 31, 2019, buildOn, Inc. has received conditional multi-year commitments for support (from one donor) totaling \$8,600,000, which has not been recorded in the accompanying financial statements.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

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 \$1,960,535 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 \$175,000 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).

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.

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.

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.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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. Bad debts expense and changes in allowance for uncollectable pledges are all reported as Management and General expenses. During the year ended December 31, 2019, the total reported in this expense category included \$148,939 of unspent funds that were returned to a donor under a multi-year assistance award.

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) -

FASB issued ASU 2019-01, *Leases* (Topic 842), which 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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

buildOn, Inc. plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 764,257	\$ 764,257
Mutual funds	<u>6,790,101</u>	<u>8,531,617</u>
TOTAL INVESTMENTS	<u>\$ 7,554,358</u>	<u>\$ 9,295,874</u>

3. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2019:

International Building Schools	\$ 6,903,729
U.S. After-School	<u>503,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 7,406,729</u>

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	\$ 10,287,291
U.S. After-School	<u>2,466,300</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 12,753,591</u>

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, 2019, totaled \$46,356.

5. LEASES

buildOn, Inc. maintains its headquarters office in Stamford, Connecticut under a 127-month lease agreement set to expire on November 30, 2029. The lease commenced on May 1, 2019, with annual rental escalations and an initial rent holiday period of seven months (the first payment was due for the month of December 2019).

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes has been recorded as a deferred rent liability in the accompanying Statement of Financial Position. The deferred rent liability balance aggregated \$52,328 as of December 31, 2019.

buildOn, Inc. 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, 2019, the fair value of the contributed office space totaled \$160,212, and total paid office space costs aggregated \$175,000. Accordingly, the total 2019 U.S. rent expense, including in-kind office space, was \$335,212.

The following is a schedule of the future minimum lease payments as of December 31, 2019:

Year Ending December 31,

2020	\$ 86,550
2021	88,350
2022	90,150
2023	91,950
2024	93,750
Thereafter	<u>487,050</u>
	<u>\$ 937,800</u>

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. LEASES (Continued)

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, 2019 totaled \$60,000.

Total worldwide occupancy expense (including utilities of \$57,806 and paid/in-kind office space of \$395,212) totaled \$453,018 during the year ended December 31, 2019.

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.

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, 2019.

- *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, 2019</u>
Asset Class:				
Mutual Funds	\$ 9,295,874	\$ -	\$ -	\$ 9,295,874

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE NET ASSETS	\$ <u>9,295,874</u>	\$ <u>-</u>	\$ <u>9,295,874</u>

Following are the changes in the FAE, by net asset type, during the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE net assets, beginning of year	\$ <u>6,867,856</u>	\$ <u>-</u>	\$ <u>6,867,856</u>
Investment return:			
Investment income, net of investment fees	180,515	-	180,515
Net realized and unrealized gains	<u>1,147,503</u>	<u>-</u>	<u>1,147,503</u>
Net investment return	<u>1,328,018</u>	<u>-</u>	<u>1,328,018</u>
Contributions	1,100,000	-	1,100,000
Appropriation of FAE assets for expenditure (liquidations)	<u>-</u>	<u>-</u>	<u>-</u>
FAE NET ASSETS, END OF YEAR	\$ <u>9,295,874</u>	\$ <u>-</u>	\$ <u>9,295,874</u>

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.

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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	\$ 1,924,021
Investments	9,295,874
Contributions receivable	<u>5,124,427</u>
Subtotal financial assets available within one year	16,344,322
Less: Donor restricted funds	<u>(7,406,729)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR
GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 8,937,593**

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 \$9,295,874 as of December 31, 2019. 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 3, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The potential financial or operational impacts from COVID-19 are unknown at this time.

On April 20, 2020, buildOn, Inc. entered into a two-year promissory note agreement in the amount of \$1,278,400 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.