

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

BUILDON, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of buildOn, Inc., which comprise the statement of financial position as of December 31, 2021, 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.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of buildOn, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about buildOn, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited buildOn, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



July 28, 2022

BUILDON, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,567,112	\$ 3,422,994
Investments	11,839,162	10,597,532
Contributions receivable, net of allowance	1,207,729	3,854,366
Prepaid expenses and other assets	<u>94,089</u>	<u>201,456</u>
Total current assets	<u>18,708,092</u>	<u>18,076,348</u>
PROPERTY AND EQUIPMENT		
Furniture	32,102	29,080
Computers and related equipment	85,490	144,366
Vehicles	797,955	724,295
Generators	<u>14,056</u>	<u>10,586</u>
	929,603	908,327
Less: Accumulated depreciation and amortization	<u>(523,899)</u>	<u>(755,508)</u>
Net property and equipment	<u>405,704</u>	<u>152,819</u>
NONCURRENT ASSETS		
Security deposits	<u>16,898</u>	<u>27,173</u>
TOTAL ASSETS	<u>\$ 19,130,694</u>	<u>\$ 18,256,340</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>388,922</u>	\$ <u>559,896</u>
NONCURRENT LIABILITIES		
Deferred rent abatement	<u>56,012</u>	<u>55,220</u>
Total liabilities	<u>444,934</u>	<u>615,116</u>
NET ASSETS		
Without donor restrictions	11,201,712	10,699,993
With donor restrictions	<u>7,484,048</u>	<u>6,941,231</u>
Total net assets	<u>18,685,760</u>	<u>17,641,224</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,130,694</u>	<u>\$ 18,256,340</u>

BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions:				
Foundations and corporations	\$ 641,040	\$ 5,292,607	\$ 5,933,647	\$ 4,359,786
Individuals	2,147,943	5,457,428	7,605,371	8,147,704
Government grants	1,246,900	-	1,246,900	1,278,400
Special events, net of expenses of \$527,611	270,941	-	270,941	863,372
In-kind contributions	2,557,487	-	2,557,487	2,059,165
Interest	1,317	-	1,317	605
Gain on sale of property and equipment	14,157	-	14,157	-
Merchandise sales	-	1,984	1,984	-
Net assets released from donor restrictions	<u>10,209,202</u>	<u>(10,209,202)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>17,088,987</u>	<u>542,817</u>	<u>17,631,804</u>	<u>16,709,032</u>
EXPENSES				
Program Services:				
International Building Schools, including donated goods and services of \$2,502,248 in 2021 and \$1,962,603 in 2020	11,564,977	-	11,564,977	9,960,437
U.S. After-School	3,450,457	-	3,450,457	3,719,389
International Adult Literacy	<u>205,750</u>	<u>-</u>	<u>205,750</u>	<u>153,366</u>
Total program services	<u>15,221,184</u>	<u>-</u>	<u>15,221,184</u>	<u>13,833,192</u>
Supporting Services:				
Management and General, including donated goods and services of \$55,239 in 2021 and \$96,562 in 2020	1,034,552	-	1,034,552	1,028,525
Development	<u>1,526,008</u>	<u>-</u>	<u>1,526,008</u>	<u>1,467,113</u>
Total supporting services	<u>2,560,560</u>	<u>-</u>	<u>2,560,560</u>	<u>2,495,638</u>
Total expenses	<u>17,781,744</u>	<u>-</u>	<u>17,781,744</u>	<u>16,328,830</u>
Change in net assets before other items	<u>(692,757)</u>	<u>542,817</u>	<u>(149,940)</u>	<u>380,202</u>
OTHER ITEMS				
Dividends	224,539	-	224,539	177,175
Realized gain on sales of investments	235,704	-	235,704	173,748
Unrealized gain on investments	798,120	-	798,120	973,715
Investment expenses	(27,120)	-	(27,120)	(22,980)
Net foreign exchange (loss) gain	<u>(36,767)</u>	<u>-</u>	<u>(36,767)</u>	<u>57,900</u>
Total other items	<u>1,194,476</u>	<u>-</u>	<u>1,194,476</u>	<u>1,359,558</u>
Change in net assets	501,719	542,817	1,044,536	1,739,760
Net assets at beginning of year	<u>10,699,993</u>	<u>6,941,231</u>	<u>17,641,224</u>	<u>15,901,464</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,201,712</u>	<u>\$ 7,484,048</u>	<u>\$ 18,685,760</u>	<u>\$ 17,641,224</u>

BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021							2020	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	International Building Schools	U.S. After-School	International Adult Literacy	Total Program Services	Management and General	Development	Total Supporting Services		
Salaries and wages	\$ 3,236,921	\$ 2,336,670	\$ -	\$ 5,573,591	\$ 258,206	\$ 858,978	\$ 1,117,184	\$ 6,690,775	\$ 6,672,173
Payroll taxes and benefits	797,148	864,331	-	1,661,479	58,464	198,426	256,890	1,918,369	1,772,769
Total salaries and benefits	4,034,069	3,201,001	-	7,235,070	316,670	1,057,404	1,374,074	8,609,144	8,444,942
Construction	4,428,125	-	-	4,428,125	-	-	-	4,428,125	3,618,777
Contractor fees	2,141,586	-	39,751	2,181,337	26,003	-	26,003	2,207,340	1,876,041
Professional fees	24,184	1,052	-	25,236	89,904	163,420	253,324	278,560	137,309
Occupancy	92,791	13,787	-	106,578	96,600	18,238	114,838	221,416	300,213
Conference and meetings	232,887	877	109,433	343,197	30,201	2,081	32,282	375,479	113,211
Travel	253,739	14,911	28,592	297,242	7,855	62,311	70,166	367,408	398,070
Insurance	17,285	23,091	-	40,376	11,117	23,298	34,415	74,791	166,514
Postage	6,258	3,224	-	9,482	2,748	3,101	5,849	15,331	38,642
Printing and publications	-	86	-	86	3,737	21,623	25,360	25,446	9,864
Repairs and maintenance	84,620	64	630	85,314	-	-	-	85,314	86,522
Supplies	107,812	175,886	6,952	290,650	9,050	5,137	14,187	304,837	279,214
Telephone and communications	66,491	8,482	2,112	77,085	26,667	7,330	33,997	111,082	123,599
Depreciation and amortization	51,701	-	-	51,701	13,429	-	13,429	65,130	69,995
Software and related	2,501	101	-	2,602	61,868	104,088	165,956	168,558	191,674
Bank charges	9,853	139	-	9,992	27,050	41,976	69,026	79,018	117,605
Bad debts and allowances	-	-	-	-	282,332	-	282,332	282,332	288,794
Miscellaneous	11,075	7,756	18,280	37,111	29,321	16,001	45,322	82,433	67,844
Total expenses	11,564,977	3,450,457	205,750	15,221,184	1,034,552	1,526,008	2,560,560	17,781,744	16,328,830
Special event expenses	-	-	-	-	-	527,611	527,611	527,611	310,717
TOTAL	\$ 11,564,977	\$ 3,450,457	\$ 205,750	\$ 15,221,184	\$ 1,034,552	\$ 2,053,619	\$ 3,088,171	\$ 18,309,355	\$ 16,639,547

See accompanying notes to financial statements.

BUILDON, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,044,536	\$ 1,739,760
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	65,130	69,995
Gain on disposal of property and equipment	(14,157)	-
Realized gain on sales of investments	(235,704)	(173,748)
Unrealized gain on investments	(798,120)	(973,715)
Receipt of donated investments	(69,840)	(290,491)
Proceeds from sales of donated investments	59,532	290,491
Deferred rent abatement	792	2,892
Increase in allowance for doubtful accounts	(34,033)	(223,498)
Forgiveness of debt	(1,246,900)	(1,278,400)
Decrease (increase) in:		
Contributions receivable	2,680,670	1,493,559
Prepaid expenses and other assets	107,367	(110,709)
Security deposits	10,275	7,875
Decrease in:		
Accounts payable and accrued liabilities	<u>(170,974)</u>	<u>(139,133)</u>
Net cash provided by operating activities	<u>1,398,574</u>	<u>414,878</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(303,858)	(40,110)
Purchases of investments	(768,187)	(1,100,306)
Proceeds from sales of investments	<u>570,689</u>	<u>946,111</u>
Net cash used by investing activities	<u>(501,356)</u>	<u>(194,305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds received	<u>1,246,900</u>	<u>1,278,400</u>
Net cash provided by financing activities	<u>1,246,900</u>	<u>1,278,400</u>
Net increase in cash and cash equivalents	2,144,118	1,498,973
Cash and cash equivalents at beginning of year	<u>3,422,994</u>	<u>1,924,021</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,567,112</u>	<u>\$ 3,422,994</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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 273,069 children, parents and grandparents every day.

Since buildOn, Inc.'s inception, the students it serves have contributed 2,392,349 hours of service in the U.S., and have helped build 2,024 schools, 220 of which were completed during 2021, in the following locations: Bolivia (8), Brazil (2), Burkina Faso (140), Guatemala (47), Haiti (182), India (3), Malawi (410), Mali (384), Nepal (300), Nicaragua (279), Senegal (268), 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, 2020, from which the summarized information was derived.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

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, 2021, buildOn, Inc. maintained approximately \$202,000 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, 2021. 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, 2021, net losses on foreign exchange totaled \$36,767.

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. buildOn, Inc. is not a private foundation.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

Uncertain tax positions -

For the year ended December 31, 2021, 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 awards 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. Unconditional contributions that 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.

Awards 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.

On March 29, 2021, buildOn received a multi-year conditional commitment from a donor. The total value of the project is \$75,414,472, of which \$19,800,000 will be contributed by the donor and the balance by buildOn (as a cost share) during the period of award (terminating on March 31, 2027). buildOn will recognize revenue annually under this conditional award to the extent it has incurred qualifying expenditures and has demonstrated that it has satisfied the donor match requirement. During the year ended December 31, 2021, buildOn, Inc. recorded \$1,710,242 of revenue under the aforementioned conditional assistance award. The balance of \$18,089,758 will be recognized in future periods.

As of December 31, 2021, buildOn, Inc. has received additional conditional multi-year commitments for support (from one donor) totaling \$2,600,000, which has not been recorded in the accompanying financial statements.

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.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

In-kind contributions (continued) -

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), construction materials and other project-specific goods/materials are recognized in the Statement of Activities and Change in Net Assets as support in the period received. Contributions totaling \$2,504,547 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.

During 2021, buildOn, Inc. received \$52,940 in donated legal and professional services. These contributions have been reported as in-kind contributions revenue, and included in the respective expense categories (in the accompanying Statement of Functional Expenses).

Additionally, 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.

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.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

Functional allocation of expenses (continued) -

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.

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) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842), 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 with fiscal years 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at December 31, 2021:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 767,703	\$ 767,703
Equities	10,426	10,426
Mutual funds	<u>7,114,598</u>	<u>11,061,033</u>
TOTAL INVESTMENTS	<u>\$ 7,892,727</u>	<u>\$ 11,839,162</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

3. PAYCHECK PROTECTION PROGRAM (PPP) LOANS

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 (PPP). The promissory note required 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 could be forgiven by the Small Business Administration (SBA) in whole or in part. During the year ended December 31, 2020, buildOn, Inc. expended and tracked the PPP funds according to the purposes outlined in the CARES Act guidance and met all conditions set forth for full forgiveness. On January 14, 2021, buildOn, Inc. was notified (by the SBA) that the full outstanding principal and accrued interest was fully forgiven. Accordingly, as of December 31, 2020 buildOn, Inc. recognized the entire amount as a conditional award (in which all conditions have been met, and recorded as without donor restrictions). The total amount of the forgiven loan was included in "Government grants" income in the accompanying 2020 Statement of Activities and Change in Net Assets.

On March 16, 2021, buildOn, Inc. entered into a five-year promissory note agreement totaling \$1,246,900 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note required monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under CARES Act, the promissory note could be forgiven by the SBA in whole or in part. During the year ended December 31, 2021, buildOn, Inc. expended and tracked the PPP funds according to the purposes outlined in the CARES Act guidance and met all conditions set forth for full forgiveness. On November 5, 2021, buildOn, Inc. was notified (by the SBA) that the full outstanding principal and accrued interest was fully forgiven. Accordingly, as of December 31, 2021 buildOn, Inc. has recognized the entire amount as a conditional award (in which all conditions have been met, and recorded as without donor restrictions). The total amount of the forgiven loan is included in "Government grants" income in the accompanying 2021 Statement of Activities and Change in Net Assets.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2021:

International Building Schools	\$ 6,571,854
U.S. After-School	<u>912,194</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 7,484,048</u>

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	\$ 6,847,185
U.S. After-School	<u>3,362,017</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 10,209,202</u>

5. 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, 2021, totaled \$53,610.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

6. 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 \$56,012 as of December 31, 2021.

buildOn, Inc. also rents out various other office locations within the United States (where buildOn, Inc.'s regional branches are based). The total 2021 rent expense under all U.S. leases aggregated \$98,911 during the year ended December 31, 2021.

The following is a schedule of the future minimum lease payments (required under long-term leases) as of December 31, 2021:

Year Ending December 31.

2022	\$	90,150
2023		91,950
2024		93,750
2025		95,550
2026		97,350
Thereafter		<u>294,150</u>
	\$	<u>762,900</u>

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, 2021 totaled \$70,000.

Total worldwide occupancy expense (including utilities of \$52,505 and paid office space of \$168,911) totaled \$221,416 during the year ended December 31, 2021.

7. 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, 2021

7. 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, 2021.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *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:

	Level 1	Level 2	Level 3	Total December 31, 2021
Asset Class:				
Money market funds	\$ 767,703	\$ -	\$ -	\$ 767,703
Equities	10,426	-	-	10,426
Mutual funds	11,061,033	-	-	11,061,033
TOTAL	\$ 11,839,162	\$ -	\$ -	\$ 11,839,162

8. 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.

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. FUND ACTING AS AN ENDOWMENT (FAE) (Continued)

Following is the FAE composition, by net asset type, as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE NET ASSETS	\$ <u>11,839,162</u>	\$ <u>-</u>	\$ <u>11,839,162</u>

Following are the changes in the FAE, by net asset type, during the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE net assets, beginning of year	\$ <u>10,597,532</u>	\$ <u>-</u>	\$ <u>10,597,532</u>
Investment return:			
Investment income, net of investment fees	197,419	-	197,419
Net realized and unrealized gains	<u>1,033,824</u>	<u>-</u>	<u>1,033,824</u>
Net investment return	<u>1,231,243</u>	<u>-</u>	<u>1,231,243</u>
Contributions	<u>10,387</u>	<u>-</u>	<u>10,387</u>
FAE NET ASSETS, END OF YEAR	\$ <u>11,839,162</u>	\$ <u>-</u>	\$ <u>11,839,162</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.

9. 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	\$ 5,567,112
Investments	11,839,162
Contributions receivable	<u>1,207,729</u>
Subtotal financial assets available within one year	18,614,003
Less: Donor restricted funds	<u>(7,484,048)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>11,129,955</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

9. 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 \$11,839,162 as of December 31, 2021. 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.

10. SUBSEQUENT EVENTS

In preparing these financial statements, buildOn, Inc. has evaluated events and transactions for potential recognition or disclosure through July 28, 2022, the date the financial statements were issued.

In recent months, the global financial markets have experienced significant declines. As of the date of this report, buildOn, Inc.'s investments have declined by approximately 12% (\$1,400,000) since December 31, 2021.