

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

BUILDON, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2020, with Summarized Financial Information for 2019	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	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, 2020, 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, 2020, and the change in its net assets, functional expenses and 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2019, is consistent in all material respects with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

September 30, 2021

BUILDON, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,422,994	\$ 1,924,021
Investments	10,597,532	9,295,874
Contributions receivable, net of allowance	3,854,366	5,124,427
Prepaid expenses and other assets	<u>201,456</u>	<u>90,747</u>
Total current assets	<u>18,076,348</u>	<u>16,435,069</u>
PROPERTY AND EQUIPMENT		
Furniture	29,080	29,080
Computers and related equipment	144,366	132,182
Vehicles	724,295	698,496
Generators	<u>10,586</u>	<u>8,459</u>
	908,327	868,217
Less: Accumulated depreciation and amortization	<u>(755,508)</u>	<u>(685,513)</u>
Net property and equipment	<u>152,819</u>	<u>182,704</u>
NONCURRENT ASSETS		
Security deposits	<u>27,173</u>	<u>35,048</u>
TOTAL ASSETS	<u>\$ 18,256,340</u>	<u>\$ 16,652,821</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>559,896</u>	\$ <u>699,029</u>
NONCURRENT LIABILITIES		
Deferred rent abatement	<u>55,220</u>	<u>52,328</u>
Total liabilities	<u>615,116</u>	<u>751,357</u>
NET ASSETS		
Without donor restrictions	10,699,993	8,494,735
With donor restrictions	<u>6,941,231</u>	<u>7,406,729</u>
Total net assets	<u>17,641,224</u>	<u>15,901,464</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,256,340</u>	<u>\$ 16,652,821</u>

See accompanying notes to financial statements.

BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions:				
Foundations and corporations	\$ 876,674	\$ 3,483,112	\$ 4,359,786	\$ 5,649,840
Individuals	3,301,764	4,845,940	8,147,704	11,070,718
Government grants	1,278,400	-	1,278,400	-
Special events, net of expenses of \$310,717	863,372	-	863,372	326,495
In-kind contributions	2,059,165	-	2,059,165	2,295,747
Interest	605	-	605	624
Net assets released from donor restrictions	<u>8,794,550</u>	<u>(8,794,550)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>17,174,530</u>	<u>(465,498)</u>	<u>16,709,032</u>	<u>19,343,424</u>
EXPENSES				
Program Services:				
International Building Schools, including donated goods and services of \$1,962,603 in 2020 and \$1,960,549 in 2019	9,960,437	-	9,960,437	10,825,227
U.S. After-School, including donated goods and services of \$0 in 2020 and \$160,212 in 2019	3,719,389	-	3,719,389	4,310,597
International Adult Literacy	<u>153,366</u>	<u>-</u>	<u>153,366</u>	<u>129,579</u>
Total program services	<u>13,833,192</u>	<u>-</u>	<u>13,833,192</u>	<u>15,265,403</u>
Supporting Services:				
Management and General, including donated goods and services of \$96,562 in 2020 and \$174,986 in 2019	1,028,525	-	1,028,525	1,372,548
Development	<u>1,467,113</u>	<u>-</u>	<u>1,467,113</u>	<u>1,738,933</u>
Total supporting services	<u>2,495,638</u>	<u>-</u>	<u>2,495,638</u>	<u>3,111,481</u>
Total expenses	<u>16,328,830</u>	<u>-</u>	<u>16,328,830</u>	<u>18,376,884</u>
Change in net assets before other items	<u>845,700</u>	<u>(465,498)</u>	<u>380,202</u>	<u>966,540</u>
OTHER ITEMS				
Dividends	177,175	-	177,175	211,836
Realized gain (loss) on sales of investments	173,748	-	173,748	(23,554)
Unrealized gain on investments	973,715	-	973,715	1,171,057
Investment expenses	(22,980)	-	(22,980)	(31,321)
Net foreign exchange gain	<u>57,900</u>	<u>-</u>	<u>57,900</u>	<u>11,451</u>
Total other items	<u>1,359,558</u>	<u>-</u>	<u>1,359,558</u>	<u>1,339,469</u>
Change in net assets	2,205,258	(465,498)	1,739,760	2,306,009
Net assets at beginning of year	<u>8,494,735</u>	<u>7,406,729</u>	<u>15,901,464</u>	<u>13,595,455</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,699,993</u>	<u>\$ 6,941,231</u>	<u>\$ 17,641,224</u>	<u>\$ 15,901,464</u>

BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020							2019	
	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	\$ 2,997,660	\$ 2,626,044	\$ -	\$ 5,623,704	\$ 243,693	\$ 804,776	\$ 1,048,469	\$ 6,672,173	\$ 6,854,895
Payroll taxes and benefits	727,836	811,405	-	1,539,241	49,612	183,916	233,528	1,772,769	1,642,814
Total salaries and benefits	3,725,496	3,437,449	-	7,162,945	293,305	988,692	1,281,997	8,444,942	8,497,709
Construction	3,616,369	-	2,408	3,618,777	-	-	-	3,618,777	3,189,258
Contractor fees	1,703,455	8,560	47,346	1,759,361	72,723	43,957	116,680	1,876,041	2,047,289
Professional fees	10,376	12,500	-	22,876	104,747	9,686	114,433	137,309	231,240
Occupancy	110,207	69,160	-	179,367	98,038	22,808	120,846	300,213	453,018
Conference and meetings	23,337	4,192	46,038	73,567	27,259	12,385	39,644	113,211	144,447
Travel	325,505	9,188	21,871	356,564	7,420	34,086	41,506	398,070	1,827,234
Insurance	81,100	41,226	-	122,326	16,137	28,051	44,188	166,514	168,958
Postage	2,049	32,468	-	34,517	2,764	1,361	4,125	38,642	12,077
Printing and publications	1,348	215	-	1,563	993	7,308	8,301	9,864	78,871
Repairs and maintenance	82,867	-	3,121	85,988	150	384	534	86,522	77,340
Supplies	99,753	78,895	13,649	192,297	11,581	75,336	86,917	279,214	447,273
Telephone and communications	91,849	15,508	3,447	110,804	6,971	5,824	12,795	123,599	114,127
Stipends	-	-	-	-	-	-	-	-	35,528
Depreciation and amortization	64,179	-	-	64,179	5,816	-	5,816	69,995	101,059
Software and related	1,523	1,870	-	3,393	39,283	148,998	188,281	191,674	136,299
Bank charges	10,638	1,371	-	12,009	23,814	81,782	105,596	117,605	229,592
Bad debts and allowances	-	-	-	-	288,794	-	288,794	288,794	479,838
Miscellaneous	10,386	6,787	15,486	32,659	28,730	6,455	35,185	67,844	105,727
Total expenses	9,960,437	3,719,389	153,366	13,833,192	1,028,525	1,467,113	2,495,638	16,328,830	18,376,884
Special event expenses	-	-	-	-	-	310,717	310,717	310,717	900,585
TOTAL	\$ 9,960,437	\$ 3,719,389	\$ 153,366	\$ 13,833,192	\$ 1,028,525	\$ 1,777,830	\$ 2,806,355	\$ 16,639,547	\$ 19,277,469

See accompanying notes to financial statements.

BUILDON, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,739,760	\$ 2,306,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	69,995	101,059
Realized (gain) loss on sales of investments	(173,748)	23,554
Unrealized gain on investments	(973,715)	(1,171,057)
Receipt of donated investments	(290,491)	(31,480)
Proceeds from sales of donated investments	290,491	31,480
Deferred rent abatement	2,892	52,328
Increase in allowance for doubtful accounts	(223,498)	266,096
Decrease (increase) in:		
Contributions receivable	1,493,559	(966,239)
Prepaid expenses and other assets	(110,709)	109,567
Security deposits	7,875	21,385
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(139,133)</u>	<u>332,294</u>
Net cash provided by operating activities	<u>1,693,278</u>	<u>1,074,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(40,110)	(138,402)
Purchases of investments	(1,100,306)	(1,999,199)
Proceeds from sales of investments	<u>946,111</u>	<u>718,684</u>
Net cash used by investing activities	<u>(194,305)</u>	<u>(1,418,917)</u>
Net increase (decrease) in cash and cash equivalents	1,498,973	(343,921)
Cash and cash equivalents at beginning of year	<u>1,924,021</u>	<u>2,267,942</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,422,994</u>	<u>\$ 1,924,021</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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 252,525 children, parents and grandparents every day.

Since buildOn, Inc.'s inception, the students it serves have contributed 2,377,030 hours of service in the U.S., and have helped build 1,804 schools, 190 of which were completed during 2020, in the following locations: Bolivia (8), Brazil (2), Burkina Faso (115), Guatemala (22), Haiti (180), India (3), Malawi (362), Mali (351), Nepal (275), Nicaragua (259), Senegal (226), 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, 2019, from which the summarized information was derived.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020, buildOn, Inc. maintained approximately \$190,000 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, 2020. 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, 2020, net gains on foreign exchange totaled \$57,900.

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, 2020

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

Uncertain tax positions -

For the year ended December 31, 2020, 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, 2020, buildOn, Inc. has received conditional multi-year commitments for support (from one donor) totaling \$6,000,000, 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.

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 \$1,962,603 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.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

In-kind contributions (continued) -

During 2020, buildOn, Inc. received \$96,562 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.

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.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact buildOn, Inc.'s operations. The overall potential impact is unknown at this time.

2. INVESTMENTS

Investments consisted of the following at December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 767,703	\$ 767,703
Mutual funds	<u>7,114,598</u>	<u>9,829,829</u>
TOTAL INVESTMENTS	<u>\$ 7,882,301</u>	<u>\$ 10,597,532</u>

3. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

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 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. 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. has recognized the entire amount of \$1,278,400 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 2020 Statement of Activities and Change in Net Assets.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2020:

International Building Schools	\$ 5,411,945
U.S. After-School	<u>1,529,286</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>6,941,231</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	\$ 7,230,729
U.S. After-School	<u>1,563,821</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>8,794,550</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, 2020, totaled \$47,424.

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 \$55,220 as of December 31, 2020.

buildOn, Inc. also rents out various other office locations within the United States (where buildOn, Inc.'s regional branches are based). The total 2020 rent expense under all U.S. leases aggregated \$194,894 during the year ended December 31, 2020.

The following is a schedule of the future minimum lease payments (required under long-term leases) as of December 31, 2020:

Year Ending December 31,

2021	\$ 88,350
2022	90,150
2023	91,950
2024	93,750
2025	95,550
Thereafter	<u>391,500</u>
	\$ <u>851,250</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

6. 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, 2020 totaled \$66,585.

Total worldwide occupancy expense (including utilities of \$38,734 and paid office space of \$261,479) totaled \$300,213 during the year ended December 31, 2020.

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.

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, 2020.

- *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, 2020</u>
Asset Class:				
Money market	\$ 767,703	\$ -	\$ -	\$ 767,703
Mutual Funds	<u>9,829,829</u>	<u>-</u>	<u>-</u>	<u>9,829,829</u>
TOTAL	<u>\$ 10,597,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,597,532</u>

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

Following is the FAE composition, by net asset type, as of December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE NET ASSETS	\$ <u>10,597,532</u>	\$ <u>-</u>	\$ <u>10,597,532</u>

Following are the changes in the FAE, by net asset type, during the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE net assets, beginning of year	\$ <u>9,295,874</u>	\$ <u>-</u>	\$ <u>9,295,874</u>
Investment return:			
Investment income, net of investment fees	154,195	-	154,195
Net realized and unrealized gains	<u>1,147,463</u>	<u>-</u>	<u>1,147,463</u>
Net investment return	<u>1,301,658</u>	<u>-</u>	<u>1,301,658</u>
FAE NET ASSETS, END OF YEAR	\$ <u>10,597,532</u>	\$ <u>-</u>	\$ <u>10,597,532</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, 2020

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	\$ 3,422,994
Investments	10,597,532
Contributions receivable	<u>3,854,366</u>
Subtotal financial assets available within one year	17,874,892
Less: Donor restricted funds	<u>(6,941,231)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 10,933,661**

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 \$10,597,532 as of December 31, 2020. 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 September 30, 2021, the date the financial statements were issued.

On March 16, 2021, buildOn, Inc. entered into a five-year promissory note agreement in the amount of \$1,246,900 with a 1% fixed interest rate under the Paycheck Protection Program (PPP). 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. During the year ended December 31, 2021, buildOn, Inc. expects to spend the full amount of the loan, and will recognize the entire amount of the loan forgiveness (in 2021) as a conditional award (in which all conditions have been met, and recorded as without donor restrictions).

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. Accordingly the full value of the commitment will not be reflected as a contribution during 2021, but will instead be recorded ratably over the period of performance.