

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 5, 2023

BUILDON, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,628,930	\$ 5,567,112
Investments	9,603,786	11,839,162
Contributions receivable, net of allowance of \$55,261	5,738,650	1,207,729
Prepaid expenses and other assets	<u>98,952</u>	<u>94,089</u>
Total current assets	<u>17,070,318</u>	<u>18,708,092</u>
PROPERTY AND EQUIPMENT		
Furniture	32,102	32,102
Computer equipment and software	85,490	85,490
Vehicles	870,226	797,955
Generators	<u>29,609</u>	<u>14,056</u>
	1,017,427	929,603
Less: Accumulated depreciation and amortization	<u>(638,153)</u>	<u>(523,899)</u>
Net property and equipment	<u>379,274</u>	<u>405,704</u>
NONCURRENT ASSETS		
Security deposits	16,898	16,898
Right-of-use asset	<u>525,050</u>	<u>-</u>
Total noncurrent assets	<u>541,948</u>	<u>16,898</u>
TOTAL ASSETS	<u>\$ 17,991,540</u>	<u>\$ 19,130,694</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 446,959	\$ 388,922
Lease liability	68,614	-
Deferred rent abatement	<u>-</u>	<u>56,012</u>
Total current liabilities	515,573	444,934
NONCURRENT LIABILITIES		
Lease liability, net of current portion	<u>511,597</u>	<u>-</u>
Total liabilities	<u>1,027,170</u>	<u>444,934</u>
NET ASSETS		
Without donor restrictions	9,161,662	11,201,712
With donor restrictions	<u>7,802,708</u>	<u>7,484,048</u>
Total net assets	<u>16,964,370</u>	<u>18,685,760</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,991,540</u>	<u>\$ 19,130,694</u>

See accompanying notes to financial statements.

BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions:				
Foundations and corporations	\$ 807,631	\$ 8,776,179	\$ 9,583,810	\$ 5,933,647
Individuals	2,067,999	3,257,769	5,325,768	7,605,371
Government grants	1,424,231	-	1,424,231	1,246,900
Special events, net of expenses of \$973,266	552,847	-	552,847	270,941
In-kind contributions	6,330,197	-	6,330,197	2,557,487
Interest	2,558	-	2,558	1,317
Gain on sale of property and equipment	4,313	-	4,313	14,157
Merchandise sales	1,312	-	1,312	1,984
Net assets released from donor restrictions	<u>11,715,288</u>	<u>(11,715,288)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>22,906,376</u>	<u>318,660</u>	<u>23,225,036</u>	<u>17,631,804</u>
EXPENSES				
Program Services:				
International Building Schools, including donated goods and services of \$5,626,242	15,753,916	-	15,753,916	11,564,977
U.S. After-School	3,683,032	-	3,683,032	3,450,457
International Adult Literacy	<u>224,046</u>	<u>-</u>	<u>224,046</u>	<u>205,750</u>
Total program services	<u>19,660,994</u>	<u>-</u>	<u>19,660,994</u>	<u>15,221,184</u>
Supporting Services:				
Management and General, including donated goods and services of \$79,042	909,149	-	909,149	1,034,552
Development, including donated goods and services of \$624,913	<u>2,488,376</u>	<u>-</u>	<u>2,488,376</u>	<u>1,526,008</u>
Total supporting services	<u>3,397,525</u>	<u>-</u>	<u>3,397,525</u>	<u>2,560,560</u>
Total expenses	<u>23,058,519</u>	<u>-</u>	<u>23,058,519</u>	<u>17,781,744</u>
Change in net assets before other items	<u>(152,143)</u>	<u>318,660</u>	<u>166,517</u>	<u>(149,940)</u>
OTHER ITEMS				
Dividends	211,416	-	211,416	224,539
Realized (loss) gain on sales of investments	(4,950)	-	(4,950)	235,704
Unrealized (loss) gain on investments	(2,051,990)	-	(2,051,990)	798,120
Investment expenses	(30,000)	-	(30,000)	(27,120)
Net foreign exchange loss	<u>(12,383)</u>	<u>-</u>	<u>(12,383)</u>	<u>(36,767)</u>
Total other items	<u>(1,887,907)</u>	<u>-</u>	<u>(1,887,907)</u>	<u>1,194,476</u>
Change in net assets	(2,040,050)	318,660	(1,721,390)	1,044,536
Net assets at beginning of year	<u>11,201,712</u>	<u>7,484,048</u>	<u>18,685,760</u>	<u>17,641,224</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,161,662</u>	<u>\$ 7,802,708</u>	<u>\$ 16,964,370</u>	<u>\$ 18,685,760</u>

BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022							2021	
	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	\$ 3,574,859	\$ 2,520,639	\$ -	\$ 6,095,498	\$ 259,430	\$ 872,355	\$ 1,131,785	\$ 7,227,283	\$ 6,690,775
Payroll taxes and benefits	591,630	882,044	-	1,473,674	81,193	353,883	435,076	1,908,750	1,918,369
Total salaries and benefits	4,166,489	3,402,683	-	7,569,172	340,623	1,226,238	1,566,861	9,136,033	8,609,144
Construction	4,743,605	-	(78)	4,743,527	-	-	-	4,743,527	4,428,125
Contractor fees	5,182,278	-	(62)	5,182,216	17,780	3,455	21,235	5,203,451	2,207,340
Professional fees	23,821	-	-	23,821	133,353	310,558	443,911	467,732	278,560
Occupancy	108,522	9,053	-	117,575	115,234	108	115,342	232,917	221,416
Conference and meetings	267,296	7,572	182,643	457,511	28,873	983,124	1,011,997	1,469,508	903,090
Travel	711,995	65,558	19,437	796,990	26,167	141,062	167,229	964,219	367,408
Insurance	57,365	33,745	-	91,110	9,441	20,862	30,303	121,413	74,791
Postage	2,166	604	-	2,770	3,765	3,008	6,773	9,543	15,331
Printing and publications	166	24	-	190	1,711	4,763	6,474	6,664	25,446
Repairs and maintenance	83,506	-	-	83,506	2,403	650	3,053	86,559	85,314
Supplies	198,688	131,717	-	330,405	11,656	91,330	102,986	433,391	304,837
Telephone and communications	60,738	11,268	604	72,610	6,796	3,921	10,717	83,327	111,082
Depreciation and amortization	108,219	-	-	108,219	6,035	-	6,035	114,254	65,130
Software and related	13,461	11,013	-	24,474	74,212	599,861	674,073	698,547	168,558
Bank charges	11,490	-	-	11,490	32,361	54,217	86,578	98,068	79,018
Bad debts and allowances	-	-	-	-	61,256	-	61,256	61,256	282,332
Miscellaneous	14,111	9,795	21,502	45,408	37,483	18,485	55,968	101,376	82,433
Total expenses	15,753,916	3,683,032	224,046	19,660,994	909,149	3,461,642	4,370,791	24,031,785	18,309,355
Less: special event expenses	-	-	-	-	-	(973,266)	(973,266)	(973,266)	(527,611)
TOTAL	\$ 15,753,916	\$ 3,683,032	\$ 224,046	\$ 19,660,994	\$ 909,149	\$ 2,488,376	\$ 3,397,525	\$ 23,058,519	\$ 17,781,744

See accompanying notes to financial statements.

BUILDON, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,721,390)	\$ 1,044,536
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	114,254	65,130
Gain on disposal of property and equipment	(4,313)	(14,157)
Realized loss (gain) on sales of investments	4,950	(235,704)
Unrealized loss (gain) on investments	2,051,990	(798,120)
Receipt of donated investments	(57,311)	(69,840)
Proceeds from sales of donated investments	65,540	59,532
Increase in allowance for doubtful accounts	(8,304)	(34,033)
Forgiveness of debt	-	(1,246,900)
Amortization of right of use asset	63,145	-
Decrease (increase) in:		
Contributions receivable	(4,522,617)	2,680,670
Prepaid expenses and other assets	(4,863)	107,367
Security deposits	-	10,275
Decrease in:		
Accounts payable and accrued liabilities	58,046	(170,974)
Lease liability	(64,005)	-
Deferred rent abatement	-	792
	<u>(4,024,878)</u>	<u>1,398,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(87,824)	(318,015)
Proceeds from sales of property and equipment	4,313	14,157
Purchases of investments	(209,793)	(768,187)
Proceeds from sales of investments	380,000	570,689
	<u>86,696</u>	<u>(501,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds received	-	1,246,900
	<u>-</u>	<u>1,246,900</u>
Net (decrease) increase in cash and cash equivalents	(3,938,182)	2,144,118
Cash and cash equivalents at beginning of year	5,567,112	3,422,994
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,628,930</u>	<u>\$ 5,567,112</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Asset	<u>\$ 588,195</u>	<u>\$ -</u>
Lease Liability for Right-of-Use Asset	<u>\$ 644,216</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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 97% of buildOn, Inc.'s students in the U.S. not only graduate from high school, they go on to college. Internationally, buildOn, Inc. schools provide access to education for 295,886 children, parents and grandparents every day.

Since buildOn, Inc.'s inception, the students it serves have contributed 2,426,809 hours of service in the U.S., and have helped build 2,263 schools, 239 of which were completed during 2022, in the following locations: Bolivia (8), Brazil (2), Burkina Faso (161), Guatemala (73), Haiti (184), India (3), Malawi (464), Mali (423), Nepal (334), Nicaragua (295), Senegal (315), 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, 2021, from which the summarized information was derived.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

New accounting pronouncements adopted -

During the year ended December 31, 2022, buildOn, Inc. adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. buildOn, Inc. applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 5 for further details.

During the year ended December 31, 2022, buildOn, Inc. adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. 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 ASU 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 was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Cash and cash equivalents -

buildOn, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less, excluding money market funds held with investments, 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, 2022, buildOn, Inc. maintained approximately \$275,000 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, 2022. 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, 2022, net losses on foreign exchange totaled \$12,383.

Investments -

Investments are recorded at their readily determinable fair value. Dividends and realized/unrealized gains and losses, net of investment expenses, are included in "Other Items" in the accompanying Statement of Activities and Change in Net Assets.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Investments (continued) -

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.

Uncertain tax positions -

For the year ended December 31, 2022, 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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Revenue recognition (continued) -

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. As of December 31, 2022, the cumulative unrecognized conditional assistance from this donor aggregated \$14,709,607 (which will be recognized in future periods)

As of December 31, 2022, buildOn, Inc. has received additional conditional multi-year commitments for support (from one donor) totaling \$2,135,000, 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 \$5,626,242 are included as both revenue and expense in the accompanying Statement of Activities and Change in Net Assets. Also during 2022, buildOn, Inc. received \$703,955 in donated legal and professional services. All in-kind contributions are recorded at their fair value at the time the donation is received; 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.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

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.

Investment 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. 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 pronouncement (not yet adopted) -

ASU 2016-13, Financial Instruments – *Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for buildOn, Inc. for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

2. INVESTMENTS

Investments consisted of the following at December 31, 2022:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 426,530	\$ 426,530
Mutual funds	<u>7,715,895</u>	<u>9,177,256</u>
TOTAL INVESTMENTS	<u>\$ 8,142,425</u>	<u>\$ 9,603,786</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2022:

International Building Schools	\$ 7,752,708
U.S. After-School	<u>50,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 7,802,708</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	\$ 9,308,151
U.S. After-School	<u>2,407,137</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 11,715,288</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, 2022, totaled \$62,800.

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).

buildOn, Inc. also rents out various other office locations within the United States (where buildOn, Inc.'s regional branches are based). The total 2022 rent expense under all U.S. leases aggregated \$87,475 during the year ended December 31, 2022.

During the year ended December 31, 2022, buildOn, Inc. adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

5. LEASES (Continued)

buildOn, Inc. applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. buildOn, Inc. also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. buildOn, Inc. adopted the package of practical expedients to not perform any lease reclassification, did not re-evaluate embedded leases and did not reassess initial direct costs. As a result, buildOn, Inc. recorded a right-of-use asset in the amount of \$588,195. buildOn, Inc. recorded an operating lease liability in the amount of \$644,216 by calculating the present value using the discount rate of 2.0%.

Following is a schedule of the future minimum lease payments (required under long-term leases) as of December 31, 2022:

<u>Year Ending December 31,</u>	
2023	\$ 91,950
2024	93,750
2025	95,550
2026	97,350
2027	99,150
Thereafter	<u>195,000</u>
	672,750
Less: Imputed interest	<u>(92,539)</u>
	580,211
Less: Current portion	<u>(68,614)</u>
NONCURRENT PORTION	<u>\$ 511,597</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, 2022 totaled \$91,937.

Total worldwide occupancy expense (including utilities of \$51,690 and paid office space of \$181,227) totaled \$232,917 during the year ended December 31, 2022.

6. FAIR VALUE MEASUREMENT

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

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

6. FAIR VALUE MEASUREMENT (Continued)

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used (and no transfers between the levels in the fair value hierarchy) as of December 31, 2022.

- *Money market funds* - These are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money market funds	\$ 426,530	\$ -	\$ -	\$ 426,530
Mutual funds	<u>9,177,256</u>	<u>-</u>	<u>-</u>	<u>9,177,256</u>
TOTAL	<u>\$ 9,603,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,603,786</u>

7. FUND ACTING AS AN ENDOWMENT (FAE)

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

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

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Following is the FAE composition, by net asset type, as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE NET ASSETS	<u>\$ 9,603,786</u>	<u>\$ -</u>	<u>\$ 9,603,786</u>

Following are the changes in the FAE, by net asset type, during the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
FAE net assets, beginning of year	\$ <u>11,839,162</u>	\$ <u>-</u>	\$ <u>11,839,162</u>
Investment loss:			
Investment income, net of investment fees	181,416	-	181,416
Net realized and unrealized losses	<u>(2,056,940)</u>	<u>-</u>	<u>(2,056,940)</u>
Net investment loss	<u>(1,875,524)</u>	<u>-</u>	<u>(1,875,524)</u>
Appropriations	<u>(359,852)</u>	<u>-</u>	<u>(359,852)</u>
FAE NET ASSETS, END OF YEAR	<u>\$ 9,603,786</u>	<u>\$ -</u>	<u>\$ 9,603,786</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.

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	\$ 1,628,930
Investments	9,603,786
Contributions receivable, net	<u>5,738,650</u>
Subtotal financial assets available within one year	16,971,366
Less: Donor restricted funds	<u>(7,802,708)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 9,168,658</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

8. LIQUIDITY AND AVAILABILITY (Continued)

buildOn, Inc. is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, buildOn, Inc. must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of buildOn, Inc.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, buildOn, Inc. invests cash in excess of daily requirements in highly liquid investments (mutual funds).

The Board of Directors has designated a portion of each year's operating surplus to its liquidity reserve, which in the aggregate totaled \$9,603,786 as of December 31, 2022. 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. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2022, buildOn, Inc. was the beneficiary of donated services (and other contributions) which allowed it to provide greater resources toward its programs and related supporting services activities. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended December 31, 2022. The contributions were valued at their fair market value as of the date of the gift. The following in-kind contributions have been included in support revenue (and the related functional expenses) during the year ended December 31, 2022:

Construction cost	\$ 993,521
Contractor fees	4,617,072
Professional fees	62,042
Supplies	155,899
Software and related	<u>501,663</u>
TOTAL	<u>\$ 6,330,197</u>

The aforementioned contributions have been recorded in the following categories in the accompanying Statement of Functional Expenses:

International Building Schools	\$ 5,626,242
Management and General	79,042
Development	<u>624,913</u>
TOTAL	<u>\$ 6,330,197</u>

10. CONTINGENCIES

Various lawsuits and other contingent liabilities arise in the ordinary course of buildOn, Inc.'s activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on buildOn's financial statements.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

11. SUBSEQUENT EVENTS

In preparing these financial statements, buildOn, Inc. has evaluated events and transactions for potential recognition or disclosure through October 5, 2023, the date the financial statements were issued.