Businesses United in Investing, Lending and Development

Financial Statements

June 30, 2019
(With Comparative Totals for 2018)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Businesses United in Investing, Lending and Development
Redwood City, California

We have audited the accompanying financial statements of Businesses United in Investing, Lending and Development (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 Businesses United in Investing, Lending and Development as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 4 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Businesses United in Investing, Lending and Development's 2018 financial statements, and our report dated March 20, 2019 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.

Armanino LLP

Armanino LLP
San Jose, California

December 13, 2019

Businesses United in Investing, Lending and Development
Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,635,060	$ 1,036,017
Accounts receivable	34,500	36,750
Grants receivable and promises to give, current portion	774,290	925,922
Prepaid expenses	2,266	-
Total current assets	4,446,116	1,998,689
Property and equipment, net	42,597	58,695
Other assets		
Cash held for endowment	362,429	231,904
Grants receivable and promises to give, net of current portion	914,225	684,180
Deposits	31,758	33,791
Total other assets	1,308,412	949,875
Total assets	$ 5,797,125	$ 3,007,259
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 334,539	$ 108,527
Accrued payroll and related benefits	17,154	5,899
Accrued vacation	163,876	250,495
Total current liabilities	515,569	364,921
Net assets		
Without donor restrictions		
Undesignated	2,565,397	239,144
Board-designated endowment	362,429	231,904
Total without donor restrictions	2,927,826	471,048
With donor restrictions	2,353,730	2,171,290
Total net assets	5,281,556	2,642,338
Total liabilities and net assets	$ 5,797,125	$ 3,007,259

The accompanying notes are an integral part of these financial statements.

Businesses United in Investing, Lending and Development
Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenue				
Grants and contributions	$ 1,684,918	$ 5,018,498	$ 6,703,416	$ 7,702,980
Special events (include in-kind income of $68,606 and $108,011)	2,371,082	-	2,371,082	2,345,806
Less special event costs (includes in-kind expenses of $68,606 and $108,011)	(568,881)	-	(568,881)	(526,128)
Contributions in-kind	231,735	-	231,735	79,615
Program service fees	195,099	-	195,099	167,799
Interest income	3,245	-	3,245	913
Net realized gain (loss) on investments	1,898	-	1,898	(5,141)
Other revenue	5	-	5	1,206
Government grants	-	-	-	181,639
Incubator income, net	-	-	-	5,618
Loss on disposal of equipment	-	-	-	(10,321)
Net assets released from restriction	4,836,058	(4,836,058)	-	-
Total support and revenue	8,755,159	182,440	8,937,599	9,943,986
Functional expenses				
Program services	4,182,790	-	4,182,790	6,191,950
Support services				
Management and general	1,206,902	-	1,206,902	1,484,562
Fundraising	908,689	-	908,689	1,737,076
Total support services	2,115,591	-	2,115,591	3,221,638
Total functional expenses	6,298,381	-	6,298,381	9,413,588
Change in net assets	2,456,778	182,440	2,639,218	530,398
Net assets, beginning of year	471,048	2,171,290	2,642,338	2,111,940
Net assets, end of year	$ 2,927,826	$ 2,353,730	$ 5,281,556	$ 2,642,338

The accompanying notes are an integral part of these financial statements.

Businesses United in Investing, Lending and Development
Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Total Support Services	2019 Total	2018 Total
Personnel expenses						
Salaries and wages	$ 3,027,735	$ 607,375	$ 448,670	$ 1,056,045	$ 4,083,780	$ 6,224,596
Payroll taxes	278,902	55,949	41,331	97,280	376,182	582,352
Employee benefits	252,953	50,743	37,484	88,227	341,180	612,796
Total personnel expenses	3,559,590	714,067	527,485	1,241,552	4,801,142	7,419,744
Professional services	218,736	136,177	268,217	404,394	623,130	766,467
Occupancy, including in-kind	130,187	66,734	1,795	68,529	198,716	434,113
Donated professional services	5,083	158,887	-	158,887	163,970	-
Conferences and meetings	89,427	11,880	31,469	43,349	132,776	195,377
Travel	51,297	45,026	29,745	74,771	126,068	150,527
Other operating expenses	32	50,398	679	51,077	51,109	33,505
Supplies, including in-kind	33,640	2,435	2,153	4,588	38,228	93,011
Depreciation and amortization	17,111	6,223	14,018	20,241	37,352	43,704
Awards	29,499	-	-	-	29,499	46,764
Office equipment and software	16,086	1,905	7,389	9,294	25,380	42,282
Insurance	18,759	1,921	2,849	4,770	23,529	31,857
Dues and subscriptions	296	3,605	11,351	14,956	15,252	27,306
Telephone	7,486	1,970	4,657	6,627	14,113	50,739
Printing and publications	2,123	1,932	3,750	5,682	7,805	15,719
Postage and shipping	891	1,247	1,722	2,969	3,860	7,298
License fees	647	1,634	909	2,543	3,190	2,960
Advertising and media expenses	1,813	-	73	73	1,886	1,564
Training	87	861	428	1,289	1,376	11,547
Interest	-	-	-	-	-	39,104
	$ 4,182,790	$ 1,206,902	$ 908,689	$ 2,115,591	$ 6,298,381	$ 9,413,588
Percentage of total	67 %	19 %	14 %	33 %	100 %	

Businesses United in Investing, Lending and Development
Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 2,639,218	$ 530,398
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	37,352	43,704
Loss on disposal of equipment	-	10,321
Changes in operating assets and liabilities		
Accounts receivable	2,250	61,900
Grants receivable and promises to give	(78,413)	(288,627)
Prepaid expenses	(2,266)	13,207
Deposits	2,033	13,551
Accounts payable and accrued expenses	226,012	(79,960)
Accrued payroll and related benefits	11,255	(8,860)
Accrued vacation	(86,619)	(125,277)
Net cash provided by operating activities	2,750,822	170,357
Cash flows from investing activities		
Change in cash held for endowment	(130,525)	3,118
Purchases of property and equipment	(21,254)	(41,459)
Net cash used in investing activities	(151,779)	(38,341)
Cash flows from financing activities		
Proceeds from line of credit	-	750,000
Repayments on line of credit	-	(750,000)
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	2,599,043	132,016
Cash and cash equivalents, beginning of year	1,036,017	904,001
Cash and cash equivalents, end of year	$ 3,635,060	$ 1,036,017

Supplemental disclosure of cash flow information

	2019	2018
Cash paid during the year for interest	$ -	$ 39,104

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Businesses United in Investing, Lending and Development ("BUILD" or the "Organization"), is a tax-exempt, nonprofit organization founded in 1999 that uses entrepreneurship to excite and propel disengaged, low income students through high school to college success. By helping students start their own small businesses and teaching them 21st Century skills that improve their academic performance and help them prepare for college, BUILD youth acquire the knowledge, skills and experience necessary to succeed in school and career.

BUILD was incorporated in 2001 in California and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to the Organization qualify for the maximum charitable deduction for federal income tax purposes.

2. EXPANSION AND DEVELOPMENT COSTS

Beginning in 1999 as an elective class in one school in East Palo Alto, California, the BUILD program is now operating in a total of 31 schools in the San Francisco Bay Area, Washington D.C., Boston and New York City. BUILD served 1,350 students in the year ended June 30, 2019.

Record of Success - BUILD's greatest success is the academic and social advancement its current 1,350+ students are making every day. In year-end surveys, teachers working with BUILD reported that they see significant improvement in their freshmen students' communication, collaboration, problem solving, grit and innovation. These skills lead to high success in the students' academic pursuits. For the latest senior class (Class of 2019), 99% of BUILD's seniors successfully graduated from high school on time, 87% were admitted to a post-secondary institution, and 78% of those admitted were granted admission to a four-year institution.

BUILD is not only growing to serve more students, it is committed to serving them better. BUILD expanded its mission to include not only college eligibility but also college persistence and success. BUILD believes that attaining a post-secondary degree (i.e. receiving a bachelor's degree, associate's degree or trade certificate) is essential for youth to find good-paying jobs in our economy. Reaching these outcomes will put BUILD students on the path to the American Dream and break the cycle of poverty in their families.

Raising the bar to post-secondary educational success demands that BUILD reshape its curriculum to push much harder on academics, particularly 21st Century skills that research shows promote college success and to integrate academics more explicitly into the entrepreneurship curriculum.

3. PROGRAM SERVICES

BUILD's four-year, in-school and after-school programs are as follows:

Entrepreneurs 1 (E1) - Freshman Year - Planning a business. Freshmen enroll in a rigorous, credit bearing class for the entire academic year. Students learn the tenets of time management, goal setting and professional communication etiquette. In teams of 3-5 members, students develop comprehensive 20-30 page business plans based on ideas they create. The year culminates with participation in BUILD's Youth Business Plan Competition held at university graduate schools of business in BUILD's three regions.

Entrepreneurs 2 (E2) - Sophomore Year - Running a business. Sophomores meet after school for up to 6 hours per week for the entire academic year. In BUILD's Youth Business and Academic Incubator, they begin to operate a small business while learning negotiation, business ethics, venture capital and more. Teams are assigned Venture Capital Advisors, who act on BUILD's behalf to finance a student business with funding from BUILD. Simultaneously, sophomores receive academic coaching, advising and tutoring to ensure they get on track to graduate high school eligible for college.

Entrepreneurs 3 (E3) - Junior Year - Preparing for college. Juniors meet after school and are trained on advanced topics relating to college selection. Students continue to operate their businesses but now focus more on developing college readiness skills so they will be prepared to attend the college of their choice. In preparation for college, students are trained on essay writing, interviewing, financial aid and standardized testing. To assist students in the college selection process, BUILD staff members accompany students on college tours in various parts of the country.

Entrepreneurs 4 (E4) - Senior Year - Selecting and applying for college. Seniors work with BUILD mentors and staff to identify their schools, write and prepare college admission essays and applications and package their BUILD experience into a portfolio. Students continue to hone their interviewing and presentation skills in preparation for communicating with college admissions officers. When possible, BUILD assists in arranging for communicating with local BUILD alumni. BUILD staff provides students' parents with information about scholarships and financial aid resources through workshops and meetings.

BUILD graduates have been awarded such honors as the National Foundation for Teaching Entrepreneurship (NFTE) National Youth Entrepreneur of the Year, Merrill Lynch Growing Up CEO and Gates Millennium Scholarship. The Organization's students have been admitted to over 90 colleges and universities, including New York, Brown, Stanford, Louisiana State and Hampton Universities, as well as University of California Berkeley, Davis, Los Angeles and Merced. BUILD has been featured in the media, including CNN, PBS, NPR, San Francisco Chronicle, San Jose Mercury News, Bay Area Business Woman News and Palo Alto Weekly News.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of BUILD have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, plus any net assets designated by the Board for specific purposes.
- *Net assets with donor restrictions* - include those assets which are subject to donor-imposed stipulations that will be met by actions of the Organization, and/or the passage of time, or are maintained in perpetuity by the Organization. When the donor-imposed stipulation ends or the Organization satisfies an action, the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

Adoption of new accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
   a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
   b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
   c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
   d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
   e. Methods used to allocate costs among program and support functions.
   f. Underwater endowment funds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting principle (continued)

3. Reporting investment return net of external and direct internal investment expenses.
4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2018, with the option to omit the disclosures about liquidity and availability of resources for the prior year comparative period.

Comparative financial information

The financial statements include prior year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of estimates

The preparation of 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 support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly-liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Grants receivable

The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to give

Unconditional promises to give are recognized as contribution support in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 2 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Impairment of long-lived assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2019 and 2018, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2019 and 2018. The accrued vacation balances as of June 30, 2019 and 2018 were $163,876 and $250,495 respectively.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as exchange transactions and program fees are recognized in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions or with donor restrictions depending on the nature of donor restrictions. Contributions with donor restrictions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in Note 11.

Income taxes

Businesses United in Investing, Lending and Development is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes and statutes of California, Massachusetts, Maryland, Virginia, New York, Pennsylvania and Washington D.C. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and various states. The Organization's federal returns for the years ended June 30, 2016 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's state returns for the tax years ended June 30, 2015 and beyond remain subject to possible examination by various state tax boards.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended June 30, 2019 and 2018 was $1,886 and $1,564, respectively.

Allocation of functional expenses

Directly identifiable expenses are charged to program and support services. Management's estimate of indirect salary expense allocation for senior management team members (whose job description is over program and support services) is based on annual time studies. Management's estimate of indirect salary expense allocation for other employees is based on individual employee estimated time spent based on their job descriptions, their goals for the year and prior year allocation. Management's estimate of other indirect costs is based on salary expense or square footage.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2019 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2019. Subsequent events have been evaluated through the date the financial statements became available to be issued, December 13, 2019.

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization'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.

Cash held for endowment consisted of a board-designated endowment. The board-designated endowment could be made available in its entirety if needed. The Organization expects that accounts receivable from program service fee revenue will be collected and available within 90 days of the fiscal year-end.

Grants receivable and promises to give, current portion, consisted of contributions receivable expected to be received within one year from June 30, 2019.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2019 to fund general expenditures and other obligations as they become due:

Cash and cash equivalents	$ 3,635,060
Accounts receivable	34,500
Grants receivable and promises to give	1,688,515
Cash held for endowment	362,429
	5,720,504
Less: portion not available for current use	
Board-designated endowment	(362,429)
Net assets with donor restrictions	(2,353,730)
	(2,716,159)
	$ 3,004,345

As of June 30, 2019, the Organization had $3,004,945 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

6. GRANTS RECEIVABLE AND PROMISES TO GIVE

Grants receivable and promises to give consist of unconditional promises to give by various donors. The Organization's management has estimated that the following amounts will be collected within the 2-year period after June 30, 2019. The Organization records pledges expected to be collected in more than one year at the present value of the assets to be received in the future. The discount rates used as of June 30, 2019 and 2018 ranged from 3.3% to 3.8%.

Grants receivable and promises to give consisted of the following:

	2019	2018
Grants receivable and promises to give	$ 1,720,100	$ 1,675,000
Discounts to net present value	(31,585)	(64,898)
	1,688,515	1,610,102
Grants receivable and promises to give, current portion	(774,290)	(925,922)
	$ 914,225	$ 684,180

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2019	2018
Computer equipment	$ 309,697	$ 288,442
Leasehold improvements	5,478	5,478
Software	26,710	26,710
Furniture and fixtures	17,692	17,692
Office equipment	14,982	14,982
	374,559	353,304
Accumulated depreciation and amortization	(331,962)	(294,609)
	$ 42,597	$ 58,695

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 , totaled $37,352 and $43,704, respectively.

8. LINE OF CREDIT

The Organization had a $750,000 line of credit with Boston Private Bank. The line of credit was secured by the Organization's personal and real property and bore interest at Prime Rate plus 2.0% or the Floor Rate of 4.50% per annum. As of June 30, 2018, BUILD had no outstanding balance on the line of credit. The line of credit expired in March 2018 and was not renewed.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2018	Additions	Releases	Balance at June 30, 2019
Purpose restrictions				
National office	$ 1,770,886	$ 1,887,606	$ (2,012,039)	$ 1,646,453
New York	108,500	846,052	(749,552)	205,000
Bay Area sites	263,395	1,069,852	(1,031,513)	301,734
Boston	-	908,586	(741,930)	166,656
Washington D.C.	-	306,402	(301,024)	5,378
Incubator team accounts	28,509	-	-	28,509
	$ 2,171,290	$ 5,018,498	$ (4,836,058)	$ 2,353,730

10. BOARD-DESIGNATED ENDOWMENT

As of June 30, 2019, the Board of Directors had designated $362,429 of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Organization's policy is to build the endowment. Currently endowment funds are used for William Lazier Scholarship payments and the Glass Scholarship campaign. Annually, additional funds are deposited into the endowment account to offset these scholarship payments to ensure the Organization protects and grows the principal investment. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide modest returns on investment with the goal of capital preservation.

To achieve that objective, the Organization has adopted an investment policy that is focused on capital preservation, which protects the principal investment and grows it at a modest rate with little to no risk of loss. Endowment assets are invested in a money market account. The Organization's Finance Committee will review the investment strategy and make a recommendation to the Board of Directors. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 1% to 3% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

10. BOARD-DESIGNATED ENDOWMENT (continued)

Endowment composition

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2018	$ 231,904	$ -	$ 231,904
Investment return			
Investment income	1,023	-	1,023
Fees	(175)	-	(175)
Total investment return	848	-	848
Contributions	129,677	-	129,677
	130,525	-	130,525
Balance, June 30, 2019	$ 362,429	$ -	$ 362,429

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2017	$ 235,022	$ -	$ 235,022
Investment return			
Investment income	32	-	32
Fees	(150)	-	(150)
Total investment return	(118)	-	(118)
Appropriation of endowment assets for expenditure	(3,000)	-	(3,000)
	(3,118)	-	(3,118)
Balance, June 30, 2018	$ 231,904	$ -	$ 231,904

11. CONTRIBUTIONS IN-KIND

The estimated fair value of donated supplies, equipment, expert services and facilities are recorded as contributions.

11. CONTRIBUTIONS IN-KIND (continued)

In-kind contributions consisted of the following:

	2019	2018
Facilities	$ 66,470	$ 77,865
Professional services	163,970	-
Supplies and minor equipment	1,295	1,750
	231,735	79,615
Special event supplies and auction items	68,606	108,011
	$ 300,341	$ 187,626

During the years ended June 30, 2019 and 2018, the Organization also received donated services from volunteers that do not require specific expertise but which are nonetheless central to the Organization's operations. During the years ended June 30, 2019 and 2018, mentors dedicated 13,235 and 13,272 hours, respectively, to tutoring services. The estimated value of tutoring services based on the nature of the services and the amount of time donated is estimated to be $425,133 and $396,526, respectively.

12. OPERATING LEASE COMMITMENTS

The Organization conducts its operations from facilities leased under various non-cancelable operating and month-to-month leases. Rent expense for these facilities for the years ended June 30, 2019 and 2018 was $132,247 and $356,248, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,	
2020	$ 109,769
2021	112,954
2022	116,355
2023	39,363
	$ 378,441

13. RETIREMENT PLAN

Beginning July 1, 2014, the Organization launched a tax deferred 403(b) retirement plan (the "Plan") to provide retirement benefits for all eligible employees. The Plan provides for Organization contributions of 5% of eligible employee compensation. Vesting is based on years of service, with 100% vesting of employer matching contributions upon eligibility. The Organization's contributions for the years ended June 30, 2019 and 2018 were $0 and $0 respectively. All of the Plan's administration costs were paid for by the Plan.