

**Businesses United in Investing,  
Lending and Development**

Financial Statements

June 30, 2018  
(With Comparative Totals for 2017)



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18



## 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, 2018, 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, 2018, 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.

## Report on Summarized Comparative Information

We have previously audited Businesses United in Investing, Lending and Development's 2017 financial statements, and our report dated October 25, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Jose, California

March 20, 2019

Businesses United in Investing, Lending and Development  
Statement of Financial Position  
June 30, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,036,017	\$ 904,001
Accounts receivable	36,750	98,650
Grants receivable and promises to give, current portion	925,922	982,657
Prepaid expenses	-	7,490
Total current assets	1,998,689	1,992,798
Property and equipment, net	58,695	71,261
Other assets		
Cash held for endowment	231,904	235,022
Grants receivable and promises to give, net of current portion	684,180	338,818
Deposits	33,791	47,342
Total other assets	949,875	621,182
Total assets	\$ 3,007,259	\$ 2,685,241
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 108,527	\$ 182,770
Accrued payroll and related benefits	5,899	14,759
Accrued vacation	250,495	375,772
Total current liabilities	364,921	573,301
Net assets		
Unrestricted		
Undesignated	239,144	325,029
Board designated for endowment	231,904	235,022
Total unrestricted	471,048	560,051
Temporarily restricted	2,171,290	1,551,889
Total net assets	2,642,338	2,111,940
Total liabilities and net assets	\$ 3,007,259	\$ 2,685,241

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, 2018  
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and revenue				
Grants and contributions	\$ 1,212,557	\$ 6,490,423	\$ 7,702,980	\$ 7,817,804
Government grants	181,639	-	181,639	285,978
Contributions in-kind	79,615	-	79,615	232,231
Special events (includes in-kind income of \$108,011 and \$157,848)	2,345,806	-	2,345,806	3,138,983
Less special event costs (includes in- kind expenses of \$108,011 and \$157,848)	(526,128)	-	(526,128)	(957,581)
Interest income	913	-	913	5,382
Incubator income (loss), net	5,618	-	5,618	(33,628)
Program service fees	167,799	-	167,799	193,000
Other revenue	1,206	-	1,206	2
Loss on disposal of equipment	(10,321)	-	(10,321)	(183)
Net realized gain (loss) on investments	(5,141)	-	(5,141)	4,742
Net assets released from restriction	<u>5,871,022</u>	<u>(5,871,022)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,324,585</u>	<u>619,401</u>	<u>9,943,986</u>	<u>10,686,730</u>
Functional expenses				
Program Services	<u>6,191,950</u>	<u>-</u>	<u>6,191,950</u>	<u>9,889,600</u>
Support services				
Management and General	1,484,562	-	1,484,562	1,809,506
Fundraising (Note 2)	<u>1,737,076</u>	<u>-</u>	<u>1,737,076</u>	<u>1,941,223</u>
Total support services	<u>3,221,638</u>	<u>-</u>	<u>3,221,638</u>	<u>3,750,729</u>
Total functional expenses	<u>9,413,588</u>	<u>-</u>	<u>9,413,588</u>	<u>13,640,329</u>
Change in net assets	(89,003)	619,401	530,398	(2,953,599)
Net assets, beginning of year	<u>560,051</u>	<u>1,551,889</u>	<u>2,111,940</u>	<u>5,065,539</u>
Net assets, end of year	<u>\$ 471,048</u>	<u>\$ 2,171,290</u>	<u>\$ 2,642,338</u>	<u>\$ 2,111,940</u>

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, 2018  
(With Comparative Totals for 2017)

	<u>Support services</u>			Total Support Services	2018 Total	2017 Total
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>			
Personnel expenses						
Salaries	\$ 4,404,588	\$ 621,502	\$ 1,198,506	\$ 1,820,008	\$ 6,224,596	\$ 8,605,566
Employee benefits	305,511	108,338	198,947	307,285	612,796	977,684
Payroll taxes	<u>313,582</u>	<u>111,182</u>	<u>157,588</u>	<u>268,770</u>	<u>582,352</u>	<u>775,852</u>
Total personnel expenses	5,023,681	841,022	1,555,041	2,396,063	7,419,744	10,359,102
Professional services	276,012	346,462	109,468	455,930	731,942	904,128
Occupancy, including in-kind	340,892	80,114	13,107	93,221	434,113	742,035
Conferences and meetings	147,465	41,589	6,323	47,912	195,377	400,567
Travel	120,515	15,598	14,414	30,012	150,527	328,655
Supplies, including in-kind	87,814	2,825	2,372	5,197	93,011	163,908
Telephone	36,867	8,492	5,380	13,872	50,739	74,839
Awards	44,708	-	2,056	2,056	46,764	94,482
Depreciation	30,366	4,428	8,910	13,338	43,704	105,760
Office equipment and software	35,967	4,814	1,501	6,315	42,282	58,125
Interest	-	39,104	-	39,104	39,104	34,174
Accounting and audit fees	-	34,525	-	34,525	34,525	32,192
Other operating expenses	1,078	32,093	334	32,427	33,505	45,148
Insurance	26,108	2,205	3,544	5,749	31,857	27,031
Dues and subscriptions	488	24,773	2,045	26,818	27,306	21,746
Printing and publication	10,041	181	5,497	5,678	15,719	16,314
Training	5,595	2,998	2,954	5,952	11,547	24,919
Postage and shipping	2,921	1,739	2,638	4,377	7,298	11,885
License fees	610	1,600	750	2,350	2,960	3,482
Advertising and media expenses	822	-	742	742	1,564	13,437
Donated professional services	-	-	-	-	-	178,400
	<u>\$ 6,191,950</u>	<u>\$ 1,484,562</u>	<u>\$ 1,737,076</u>	<u>\$ 3,221,638</u>	<u>\$ 9,413,588</u>	<u>\$13,640,329</u>
Percentage of total	<u>65.8 %</u>	<u>15.8 %</u>	<u>18.5 %</u>	<u>34.2 %</u>	<u>100.0 %</u>	

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

Businesses United in Investing, Lending and Development  
Statement of Cash Flows  
For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ 530,398	\$ (2,953,599)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	43,704	105,760
Loss on disposal of equipment	10,321	183
Changes in operating assets and liabilities		
Accounts receivable	61,900	(98,650)
Grants receivable and promises to give	(288,627)	126,406
Prepaid expenses	13,207	903
Deposits	13,551	7,512
Accounts payable and accrued expenses	(79,960)	15,083
Accrued payroll and related benefits	(8,860)	7,120
Accrued vacation	(125,277)	70,336
Net cash provided by (used in) operating activities	170,357	(2,718,946)
Cash flows from investing activities		
Change in cash held for endowment	3,118	(14,020)
Purchase of property and equipment	(41,459)	(26,082)
Net cash used in investing activities	(38,341)	(40,102)
Cash flows from financing activities		
Proceeds from line of credit	750,000	1,000,000
Repayments on line of credit	(750,000)	(1,000,000)
Net cash provided by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	132,016	(2,759,048)
Cash and cash equivalents, beginning of year	904,001	3,663,049
Cash and cash equivalents, end of year	\$ 1,036,017	\$ 904,001

Supplemental disclosure of cash flow information

Cash paid during the year interest	\$ 39,104	\$ 34,174
------------------------------------	-----------	-----------

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



Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

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 experiences 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 42 schools in the San Francisco Bay Area, Washington D.C., Boston, and New York City. BUILD served 1,670 students in the year ended June 30, 2018.

Record of Success - BUILD's greatest success is the academic and social advancement its current 1,600+ 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 2018), 97% of BUILD's seniors successfully graduated from high school on time, 99% were admitted to a post-secondary institution, and 80% 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.

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

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. BUILD's former CEO was awarded the 2012 Manhattan Institute Award for Social Entrepreneurship, the Ashoka Fellowship, and was honored with KQED and Wells Fargo's 2011 Women's History Month Local Heroes Award.

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of BUILD have been prepared on the accrual basis of accounting.

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* - 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.
- *Temporarily restricted net assets* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year-end of the current reporting period.
- *Permanently restricted net assets* - include those assets which are subject to a non-expiring donor restriction, such as endowments. There were currently no permanently restricted net assets.

Comparative financial statements

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, 2017, 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

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 assumption 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.

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *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.

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.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2018 and 2017. The accrued vacation balances as of June 30, 2018 and 2017 were \$250,495 and \$375,772, 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 unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restricted is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

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 9).

Income tax

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 students.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$258 and \$426, respectively.

Allocation of functional expenses

Directly identifiable expenses are charged to programs and support services. Management's estimate of indirect salary expense allocation for senior management team members (whose job description is over programs 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.

Uncertainty in taxes

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.

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in taxes (continued)

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended June 30, 2015 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns for the tax years ended June 30, 2014 and beyond remain subject to possible examination by various states tax board.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2018 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, 2018. Subsequent events have been evaluated through the date the financial statements became available to be issued, March 20, 2019.

5. 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, 2018. 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 rate used as of June 30, 2018 and 2017 ranged from 3.3% to 3.4%.

Grants receivable and promises to give consist of the following:

	<u>2018</u>	<u>2017</u>
Grants receivable and promises to give	\$ 1,675,000	\$ 1,348,000
Discounts to net present value	<u>(64,898)</u>	<u>(26,525)</u>
	1,610,102	1,321,475
Grants receivable and promises to give, current portion	<u>(925,922)</u>	<u>(982,657)</u>
	<u>\$ 684,180</u>	<u>\$ 338,818</u>

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Computer equipment	\$ 288,442	\$ 353,324
Leasehold improvements	5,478	104,899
Software	26,710	56,559
Furniture and fixtures	17,692	54,706
Office equipment	14,982	22,756
	353,304	592,244
Accumulated depreciation	(294,609)	(520,983)
	\$ 58,695	\$ 71,261

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$43,704 and \$105,760, respectively.

7. LINE OF CREDIT

The Organization had a \$750,000 line of credit with Boston Private Bank Inc. 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 (6.50% as of June 30, 2018). As of June 30, 2018 and 2017, BUILD had no outstanding balance on the line of credit. The line of credit expired in March 2018 and was not renewed as of June 30, 2018.



Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Purpose restrictions		
National office	\$ 1,770,886	\$ 389,257
National Innovation Team	-	300,000
New York	108,500	203,400
Washington D.C. programs	-	116,708
Bay Area sites	263,395	97,349
Boston	-	89,590
National program - Athena	-	50,000
Oakland programs	-	50,000
Incubator team accounts	<u>28,509</u>	<u>22,892</u>
	2,171,290	1,319,196
Time restrictions		
General support for future period	<u>-</u>	<u>232,693</u>
	<u>\$ 2,171,290</u>	<u>\$ 1,551,889</u>

Temporarily restricted net assets released from restriction during the year were as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions		
Boston	\$ 1,136,869	\$ 1,042,206
New York	1,012,719	289,251
Washington D.C. programs	790,106	820,317
Bay Area sites	515,775	671,284
Los Angeles	20,000	103,582
Capital Campaign - general operations	-	760,000
Oakland programs	50,000	381,586
National program - Athena	50,000	225,000
Peninsula programs	-	144,033
Incubator team accounts	-	16,127
National Innovation Team	<u>300,000</u>	<u>-</u>
	3,875,469	4,453,386
Time restrictions		
General support for future period	<u>1,995,553</u>	<u>1,985,673</u>
	<u>\$ 5,871,022</u>	<u>\$ 6,439,059</u>

9. CONTRIBUTIONS IN-KIND

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

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

9. CONTRIBUTIONS IN-KIND (continued)

In-kind contributions received were as follows:

	2018	2017
Facilities	\$ 77,865	\$ 50,276
Supplies and minor equipment	1,750	3,555
Professional services	-	178,400
	79,615	232,231
Special event supplies and auction items	108,011	157,848
	\$ 187,626	\$ 390,079

During the years ended June 30, 2018 and 2017, 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, 2018 and 2017, mentors dedicated 13,272 and 14,063 hours 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 \$396,526 and \$439,939, respectively.

10. BOARD DESIGNATED FOR ENDOWMENT

As of June 30, 2018, the Board of Directors had designated \$231,904 of unrestricted net assets 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 unrestricted net assets.

The Organization's policy is to build the endowment. Currently endowment funds are only used for William Lazier Scholarship payments. 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.

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

10. BOARD DESIGNATED FOR ENDOWMENT (continued)

Endowment composition

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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)
	<u>(3,118)</u>	<u>-</u>	<u>-</u>	<u>(3,118)</u>
Balance, June 30, 2018	<u>\$ 231,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,904</u>

Changes in endowment net assets for the year ended June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2016	\$ 221,002	\$ -	\$ -	\$ 221,002
Investment return				
Investment income	195	-	-	195
Fees	(175)	-	-	(175)
Total investment return	20	-	-	20
Contributions	15,000	-	-	15,000
Appropriation of endowment assets for expenditure	(1,000)	-	-	(1,000)
	<u>14,020</u>	<u>-</u>	<u>-</u>	<u>14,020</u>
Balance, June 30, 2017	<u>\$ 235,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,022</u>

11. 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, 2018 and 2017 was \$356,248 and \$691,759, respectively.

Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2018  
(With Comparative Totals for 2017)

11. OPERATING LEASE COMMITMENTS (continued)

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

<u>Year ending June 30,</u>	
2019	\$ 118,944
2020	109,769
2021	112,954
2022	116,355
2023	<u>39,363</u>
	<u>\$ 497,385</u>

12. 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, 2018 and 2017 were \$0 and \$146,191, respectively. All of the Plan's administration costs were paid for by the Plan.