

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

Financial Statements

June 30, 2024

(With Comparative Totals for Fiscal Year 2023)



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2024, and the related statements of activities, 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 Businesses United in Investing, Lending and Development as of June 30, 2024, 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.

### **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 Businesses United in Investing, Lending and Development 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 these 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 Businesses United in Investing, Lending and Development'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. 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 Businesses United in Investing, Lending and Development'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 Businesses United in Investing, Lending and Development'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 Businesses United in Investing, Lending and Development's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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

Businesses United in Investing, Lending and Development  
Statement of Financial Position  
June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

	2024	2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,095,555	\$ 4,026,006
Accounts receivable	72,020	99,000
Grants receivable and promises to give, current portion	871,210	3,700,177
Prepaid expenses	19,914	2,560
Total current assets	4,058,699	7,827,743
Property and equipment, net	782,332	690,032
Other assets		
Cash held for board-designated endowment	452,579	403,306
Investments held for board-designated funds	3,191,235	5,684,451
Grants receivable and promises to give, net of current portion	257,073	360,382
Deposits	56,908	58,981
Total other assets	3,957,795	6,507,120
Total assets	\$ 8,798,826	\$ 15,024,895
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 419,639	\$ 689,372
Accrued payroll and related benefits	21,448	25,032
Total current liabilities	441,087	714,404
Net assets		
Without donor restrictions		
Undesignated	1,088,163	948,175
Board-designated endowment	452,579	403,306
Board-designated funds	3,191,235	5,684,451
Property and equipment	782,332	690,032
Total without donor restrictions	5,514,309	7,725,964
With donor restrictions	2,843,430	6,584,527
Total net assets	8,357,739	14,310,491
Total liabilities and net assets	\$ 8,798,826	\$ 15,024,895

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

Businesses United in Investing, Lending and Development  
Statement of Activities  
For the Fiscal Year Ended June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support and revenue				
Grants and contributions	\$ 1,638,767	\$ 3,356,342	\$ 4,995,109	\$ 7,546,360
Contributions in-kind	1,980,504	-	1,980,504	2,619,295
Special events (includes in-kind income of \$3,200 and \$1,005)	393,045	-	393,045	343,186
Less special event costs (includes in-kind expenses of \$3,200 and \$1,005)	(191,799)	-	(191,799)	(214,417)
Program service fees	359,615	-	359,615	455,391
Investment income, net	280,190	-	280,190	125,983
Interest income	24,393	-	24,393	47,028
Net assets released from restriction	<u>7,097,439</u>	<u>(7,097,439)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>11,582,154</u>	<u>(3,741,097)</u>	<u>7,841,057</u>	<u>10,922,826</u>
Functional expenses				
Program services	<u>9,416,494</u>	<u>-</u>	<u>9,416,494</u>	<u>10,827,616</u>
Support services				
Management and general	2,408,960	-	2,408,960	2,441,887
Fundraising	<u>1,968,355</u>	<u>-</u>	<u>1,968,355</u>	<u>1,500,136</u>
Total support services	<u>4,377,315</u>	<u>-</u>	<u>4,377,315</u>	<u>3,942,023</u>
Total functional expenses	<u>13,793,809</u>	<u>-</u>	<u>13,793,809</u>	<u>14,769,639</u>
Change in net assets	(2,211,655)	(3,741,097)	(5,952,752)	(3,846,813)
Net assets, beginning of year	<u>7,725,964</u>	<u>6,584,527</u>	<u>14,310,491</u>	<u>18,157,304</u>
Net assets, end of year	<u>\$ 5,514,309</u>	<u>\$ 2,843,430</u>	<u>\$ 8,357,739</u>	<u>\$ 14,310,491</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 Fiscal Year Ended June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

	<u>Support Services</u>			Total Support Services	2024 Total	2023 Total
	Program Services	Management and General	Fundraising			
Personnel expenses						
Salaries and wages	\$ 4,758,137	\$ 1,085,324	\$ 1,049,173	\$ 2,134,497	\$ 6,892,634	\$ 7,790,395
Employee benefits	654,757	149,349	144,374	293,723	948,480	1,008,371
Payroll taxes	456,757	104,186	100,715	204,901	661,658	684,362
Total personnel expenses	<u>5,869,651</u>	<u>1,338,859</u>	<u>1,294,262</u>	<u>2,633,121</u>	<u>8,502,772</u>	<u>9,483,128</u>
Advertising, in-kind	1,843,338	-	-	-	1,843,338	2,423,584
Professional services, including in-kind	624,136	644,845	552,926	1,197,771	1,821,907	1,212,317
Awards	277,788	-	-	-	277,788	259,394
Travel	102,642	83,849	71,120	154,969	257,611	229,695
Conferences and meetings	128,658	107,470	20,952	128,422	257,080	392,456
Printing and publications	202,300	787	4,949	5,736	208,036	135,741
Depreciation and amortization	149,192	44,335	-	44,335	193,527	51,950
Occupancy, including in-kind	92,398	87,992	3,239	91,231	183,629	201,438
Supplies, including in-kind	44,970	12,790	818	13,608	58,578	96,052
Other operating expenses	1,351	39,000	450	39,450	40,801	32,048
Insurance	31,133	8,797	-	8,797	39,930	38,504
Training	21,474	12,704	470	13,174	34,648	102,814
Telephone	6,855	6,613	3,250	9,863	16,718	16,680
Dues and subscriptions	4,969	7,621	4,102	11,723	16,692	33,056
Office equipment and software	10,261	2,354	1,645	3,999	14,260	24,055
Postage and shipping	5,178	6,261	589	6,850	12,028	16,205
Advertising and media expenses	200	-	9,583	9,583	9,783	15,086
License fees	-	4,683	-	4,683	4,683	5,436
	<u>\$ 9,416,494</u>	<u>\$ 2,408,960</u>	<u>\$ 1,968,355</u>	<u>\$ 4,377,315</u>	<u>\$ 13,793,809</u>	<u>\$14,769,639</u>
Percentage of total	<u>69 %</u>	<u>17 %</u>	<u>14 %</u>	<u>31 %</u>	<u>100 %</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 Fiscal Year Ended June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ (5,952,752)	\$ (3,846,813)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	193,527	51,950
Unrealized gains on investments, net	(4,231)	(32,731)
Changes in operating assets and liabilities		
Accounts receivable	26,980	(58,750)
Grants receivable and promises to give	2,932,276	2,824,147
Prepaid expenses	(17,354)	2,478
Deposits	2,073	(17,492)
Accounts payable and accrued expenses	(269,733)	(11,426)
Accrued payroll and related benefits	(3,584)	2,469
Net cash used in operating activities	(3,092,798)	(1,086,168)
Cash flows from investing activities		
Proceeds from sale of investments	2,753,248	-
Purchases of property and equipment	(285,827)	(673,328)
Purchases of investments	(255,801)	(885,363)
Net cash provided by (used in) investing activities	2,211,620	(1,558,691)
Net decrease in cash, cash equivalents and restricted cash	(881,178)	(2,644,859)
Cash, cash equivalents and restricted cash, beginning of year	4,429,312	7,074,171
Cash, cash equivalents and restricted cash, end of year	\$ 3,548,134	\$ 4,429,312
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 3,095,555	\$ 4,026,006
Cash held for board-designated endowment	452,579	403,306
	\$ 3,548,134	\$ 4,429,312

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



Businesses United in Investing, Lending and Development  
Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

1. NATURE OF OPERATIONS

Businesses United in Investing, Lending and Development ("Organization" 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 and life 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, Organization youth acquire the knowledge, skills and experience necessary to succeed in post-secondary opportunities.

Organization 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 direct service program is now operating in a total of 41 schools (compared to 44 schools in the year ended June 30, 2023) in the San Francisco Bay Area (8), Los Angeles (5), Washington D.C. (4), Boston (9), Pittsburgh (6), and New York City (9). Through its direct service model, BUILD served 2,878 students in the year ended June 30, 2024 (compared to 2,546 students in the year ended June 30, 2023). In 2021, BUILD launched a 3-year, \$15 million growth campaign called BUILDing Generation Entrepreneur with a bold plan for dramatic growth and scale. The plan focused on three pillars: Digital Acceleration, Geographic Expansion, and Systemic Change. As a result, BUILD now incorporates digital offerings into regular programming and has reached over 280,000 students in more than 1,522 cities in said programming since 2021.

Record of Success - Organization's greatest success is the academic and social advancement its current 2,000+ 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, innovation, and self-management skills. These skills lead to high success in the students' academic pursuits.

Organization is not only growing to serve more students, but also committed to serving them better. Organization expanded its mission to include not only college eligibility but also post-secondary persistence and flourishing. BUILD believes that attaining postsecondary success (i.e., receiving a bachelor's degree, associate's degree, or trade certificate; participating in a fellowship or similar work study program; starting their own business) is essential for youth to find good-paying jobs in our economy. Raising the bar to post-secondary success demands that BUILD reshape the education landscape by teaching the importance of 21st Century skills via its dynamic entrepreneurship curriculum. Reaching these outcomes will put Organization students on the path to become the CEO of their own lives.

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3. PROGRAM SERVICES

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

Year 1: BUILD Your Business (Y1) - Freshman, Sophomore, Junior, and Senior Year - BUILD Your Business students gain an introduction to entrepreneurship and how BUILD wants them to become the CEO of their own lives. They use the human-centered design process to create and pitch an original product idea to volunteer professionals. They build out these ideas into business pitch decks that they present in a culminating Business Plan Competition event.

Year 2: BUILD Your Voice (Y2) - Freshman, Sophomore, Junior, and Senior Year - In BUILD Your Voice, students develop their unique voice and brand (both personal and business) as they continue their journey to college, career, and life success. They continue building their skills in product design, marketing, production, finances and sales, finishing the year with a selling event and portfolio pitch.

Year 3: BUILD Your Future (Y3) - Junior and Senior Year - BUILD Your Future is the bridge that links entrepreneurial skills and mindsets that the students develop in Y1 and Y2 to their pathways after high school. The Y3 students learn to be CEOs - they're learning how to be career-focused, enterprising, and opportunity-oriented. Through their BUILD experience, they are expanding their social and navigational capital. They're growing their networks, and learning how to utilize these networks and resources to be proactive about their future. BUILD Your Future empowers BUILD students to learn about potential pathways and how to access them. They are setting themselves up to be successful no matter what their pathway is.

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 Arizona State, Brigham Young, Columbia, Cornell, San Diego State, San Francisco State, Stanford, University of California Berkeley, UCLA, UC San Diego, UC Santa Barbara, and USC. 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 Organization 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.

Businesses United in Investing, Lending and Development  
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June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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 accounting standards update

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 326, "Financial Instruments - Credit Losses," ("FASB ASC 326") which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are accounts receivable.

The Organization adopted FASB ASC 326 effective July 1, 2023 using the modified retrospective method. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures only.

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, 2023, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

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June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

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 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.

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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 and amortization is computed on the straight-line method based on the estimated useful lives of the assets, which range from 2 to 5 years. Depreciation and amortization 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, 2024 and 2023, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Revenue recognition

The Organization generates revenue through program service fees. The Organization follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

Revenue from program service fees are recognized in the period in which the service is provided.

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Notes to Financial Statements  
June 30, 2024  
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions, including unconditional promises to give, are recognized as support in the period received. Contributions, including unconditional promises to give, are recorded with donor restrictions depending on the existence and/or nature of any restrictions and are then reclassified to net assets without donor restrictions upon satisfaction of any restrictions through the net assets released from restriction.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions support with or without donor restrictions.

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 12.

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, 2021 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's state returns for the tax years ended June 30, 2020 and beyond remain subject to possible examination by various state tax boards.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended June 30, 2024 and 2023 was \$9,783 and \$15,086, respectively. In addition, the Organization also received donated advertising services. Donated advertising expense for the years ended June 30, 2024 and 2023 was \$1,843,338 and \$2,423,584 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 estimated time spent by function. 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.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for the year ended June 30, 2023 for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2024 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, 2024. Subsequent events have been evaluated through the date the financial statements became available to be issued, January 28, 2025.

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.

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, 2024.

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Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for Fiscal Year 2023)

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE (continued)

Cash held for endowment consisted of a board-designated endowment. Investments held for board-designated funds consisted of the funds designated by the board for specific programs or future use.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2024 and 2023 to fund general expenditures and other obligations as they become due:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 3,095,555	\$ 4,026,006
Accounts receivable	72,020	99,000
Grants receivable and promises to give	1,128,283	4,060,559
Cash held for board-designated endowment	452,579	403,306
Investments held for board-designated funds	3,191,235	5,684,451
	7,939,672	14,273,322
Less: portion not available for current use		
Board-designated endowment	(452,579)	(403,306)
Board-designated scholarship funds	(495,099)	(511,782)
Net assets with donor restrictions	(2,843,430)	(6,584,527)
	(3,791,108)	(7,499,615)
	\$ 4,148,564	\$ 6,773,707

As of June 30, 2024, the Organization had \$4,148,564 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, 2024. 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, 2024 and 2023 ranged from 4.6% to 5.6% and 4.4% to 5.3%, respectively.



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6. GRANTS RECEIVABLE AND PROMISES TO GIVE (continued)

Grants receivable and promises to give consisted of the following:

	2024	2023
Grants receivable and promises to give	\$ 1,190,000	\$ 4,169,166
Discounts to net present value	(61,717)	(108,607)
	1,128,283	4,060,559
Grants receivable and promises to give, current portion	(871,210)	(3,700,177)
	\$ 257,073	\$ 360,382

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2024	2023
Computer equipment	\$ 468,533	\$ 466,573
Software	921,861	26,710
Furniture and fixtures	17,692	17,692
Office equipment	14,982	14,982
Computer equipment	5,478	5,478
Construction in progress	-	611,284
	1,428,546	1,142,719
Accumulated depreciation and amortization	(646,214)	(452,687)
	\$ 782,332	\$ 690,032

Construction in progress consisted of BUILD's Digital Acceleration project started during the year ended June 30, 2023 and it was completed and placed in service during the year ended June 30, 2024.

Depreciation and amortization expense for the years ended June 30, 2024 and 2023, totaled \$193,527 and \$51,950, respectively.

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8. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds and bank deposits	\$ 2,256,158	\$ -	\$ -	\$ 2,256,158
Fixed income (bonds)	<u>935,077</u>	<u>-</u>	<u>-</u>	<u>935,077</u>
	<u>\$ 3,191,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,191,235</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income (bonds)	\$ 3,479,227	\$ -	\$ -	\$ 3,479,227
Money market funds and bank deposits	2,194,821	-	-	2,194,821
Equities	<u>10,403</u>	<u>-</u>	<u>-</u>	<u>10,403</u>
	<u>\$ 5,684,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,684,451</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at June 30, 2024</u>
National office	\$ 5,053,150	\$ 609,980	\$ (4,335,882)	\$ 1,327,248
Bay Area sites	801,644	757,581	(852,825)	706,400
Boston	407,355	1,048,466	(1,027,006)	428,815
New York	82,081	624,015	(409,290)	296,806
Washington D.C.	111,667	182,000	(254,500)	39,167
Incubator team accounts	17,494	-	-	17,494
Pittsburgh	-	45,000	(30,000)	15,000
Los Angeles	<u>111,136</u>	<u>89,300</u>	<u>(187,936)</u>	<u>12,500</u>
	<u>\$ 6,584,527</u>	<u>\$ 3,356,342</u>	<u>\$ (7,097,439)</u>	<u>\$ 2,843,430</u>

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10. BOARD-DESIGNATED FUNDS

Board-designated funds consisted of the following:

	2024	2023
Operating Reserves	\$ 1,690,543	\$ 4,661,003
Open Opportunity	1,005,593	511,666
SMK Scholarship Fund	332,474	352,247
Sherman Scholarship Fund	162,625	159,535
	\$ 3,191,235	\$ 5,684,451

11. BOARD-DESIGNATED ENDOWMENT

As of June 30, 2024, the Board of Directors had designated \$452,579 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.

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.

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11. BOARD-DESIGNATED ENDOWMENT (continued)

Endowment composition

Changes in endowment net assets for the fiscal year ended June 30, 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2023	\$ 403,306	\$ -	\$ 403,306
Investment income			
Investment income	21,273	-	21,273
Net investment income	21,273	-	21,273
Contributions	44,000	-	44,000
Appropriations	(16,000)	-	(16,000)
	<u>49,273</u>	<u>-</u>	<u>49,273</u>
Balance, June 30, 2024	<u>\$ 452,579</u>	<u>\$ -</u>	<u>\$ 452,579</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2022	\$ 382,176	\$ -	\$ 382,176
Investment income			
Investment income	12,530	-	12,530
Fees	(3,400)	-	(3,400)
Net investment income	9,130	-	9,130
Contributions	23,000	-	23,000
Appropriations	(11,000)	-	(11,000)
	<u>21,130</u>	<u>-</u>	<u>21,130</u>
Balance, June 30, 2023	<u>\$ 403,306</u>	<u>\$ -</u>	<u>\$ 403,306</u>

12. CONTRIBUTIONS IN-KIND

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

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12. CONTRIBUTIONS IN-KIND (continued)

Contributions in-kind consisted of the following:

	2024	2023
Advertising	\$ 1,843,338	\$ 2,423,584
Professional services	54,200	89,988
Facilities	61,845	61,845
Supplies and minor equipment	300	40,678
	1,959,683	2,616,095
Special event facilities and supplies	20,821	3,200
	\$ 1,980,504	\$ 2,619,295

BUILD recognized contributed nonfinancial assets within support and revenue, including contributed advertising, professional services, facilities, supplies and minor equipment. Unless otherwise noted, contributed non-financial assets did not have donor-imposed restrictions. The donated advertising consisted of airtime donated for public service announcements. The value of the advertising was measured based on estimated fair value provided by the donor. The donated professional services consisted of legal services, coaching services and marketing services. The value of these professional services are measured using the estimated hourly rate for the professional providing the services. The contributed facilities was measured based on the estimated fair value provided by the donor. Donated supplies, minor equipment and auction items were valued at the price paid by the donor to acquire these items.

During the years ended June 30, 2024 and 2023, 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, 2024 and 2023, mentors dedicated 2,866 and 5,425 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 \$112,379 and \$200,773, respectively.

13. LEASE

The Organization conducts its operations from facilities leased under various month-to-month leases. Lease expense for these facilities for the years ended June 30, 2024 and 2023 was \$121,784 and \$139,593, respectively.

14. RETIREMENT PLAN

BUILD provides a 403(b) retirement plan with a 50% match up to 6% of contributions for all employees working more than 20 hours per week. The Organization contributed \$87,307 and \$111,868, respectively, to the Plan during the years ended June 30, 2024 and 2023. All of the Plan's administration costs were paid for by the Plan.

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15. CONDITIONAL GRANTS

Conditional grants are recognized when BUILD meets the terms of the conditions in the grant agreements.

Conditional grants as of June 30, 2024 are detailed as follows:

Achieving specific program success metrics	<u>\$ 650,000</u>
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