# Businesses United in Investing, Lending and Development

Financial Statements

June 30, 2020
(With Comparative Totals for 2019)

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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, 2020, 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, 2020, 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 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. Our opinion is not modified with respect to that matter.

**Emphasis of Matter**

As described in Note 12 of the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. 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 2019 financial statements, and our report dated December 13, 2019 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Jose, California

December 30, 2020

Businesses United in Investing, Lending and Development
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

| | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 6,409,327 | $ 3,635,060 |
| Accounts receivable | 56,616 | 34,500 |
| Grants receivable and promises to give, current portion | 716,876 | 774,290 |
| Prepaid expenses | 1,951 | 2,266 |
| Total current assets | 7,184,770 | 4,446,116 |
| Property and equipment, net | 69,836 | 42,597 |
| Other assets | | |
| Cash held for endowment | 363,662 | 362,429 |
| Grants receivable and promises to give, net of current portion | 926,805 | 914,225 |
| Deposits | 32,490 | 31,758 |
| Total other assets | 1,322,957 | 1,308,412 |
| Total assets | $ 8,577,563 | $ 5,797,125 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 508,073 | $ 334,539 |
| Accrued payroll and related benefits | 19,481 | 17,154 |
| Accrued vacation | 147,357 | 163,876 |
| Total current liabilities | 674,911 | 515,569 |
| Paycheck Protection Program forgivable loan | 843,400 | - |
| Total liabilities | 1,518,311 | 515,569 |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 4,368,076 | 2,565,397 |
| Board-designated endowment | 363,662 | 362,429 |
| Total without donor restrictions | 4,731,738 | 2,927,826 |
| With donor restrictions | 2,327,514 | 2,353,730 |
| Total net assets | 7,059,252 | 5,281,556 |
| Total liabilities and net assets | $ 8,577,563 | $ 5,797,125 |

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, 2020
(With Comparative Totals for 2019)

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Total |
|---|---|---|---|---|
| Support and revenue | | | | |
| Grants and contributions | $ 3,063,670 | $ 4,310,762 | $ 7,374,432 | $ 6,703,416 |
| Special events (includes in-kind income of $2,829 and $68,606) | 1,545,443 | - | 1,545,443 | 2,371,082 |
| Less special event costs (includes in-kind expenses of $2,829 and $68,606) | (167,586) | - | (167,586) | (568,881) |
| Contributions in-kind | 328,327 | - | 328,327 | 231,735 |
| Program service fees | 239,266 | - | 239,266 | 195,099 |
| Interest income | 10,272 | - | 10,272 | 3,245 |
| Net realized gains on investments | 1,823 | - | 1,823 | 1,898 |
| Other income | 4 | - | 4 | 5 |
| Net assets released from restriction | 4,336,978 | (4,336,978) | - | - |
| Total support and revenue | 9,358,197 | (26,216) | 9,331,981 | 8,937,599 |
| Functional expenses | | | | |
| Program services | 5,313,003 | - | 5,313,003 | 4,182,790 |
| Support services | | | | |
| Management and general | 1,495,972 | - | 1,495,972 | 1,206,902 |
| Fundraising | 745,310 | - | 745,310 | 908,689 |
| Total support services | 2,241,282 | - | 2,241,282 | 2,115,591 |
| Total functional expenses | 7,554,285 | - | 7,554,285 | 6,298,381 |
| Change in net assets | 1,803,912 | (26,216) | 1,777,696 | 2,639,218 |
| Net assets, beginning of year | 2,927,826 | 2,353,730 | 5,281,556 | 2,642,338 |
| Net assets, end of year | $ 4,731,738 | $ 2,327,514 | $ 7,059,252 | $ 5,281,556 |

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, 2020
(With Comparative Totals for 2019)

| | Program Services | Support Services: Management and General | Support Services: Fundraising | Support Services: Total Support Services | 2020 Total | 2019 Total |
|---|---|---|---|---|---|---|
| Personnel expenses | | | | | | |
| Salaries and wages | $ 3,673,129 | $ 662,284 | $ 403,953 | $ 1,066,237 | $ 4,739,366 | $ 4,083,780 |
| Payroll taxes | 354,580 | 63,933 | 38,994 | 102,927 | 457,507 | 376,182 |
| Employee benefits | 352,718 | 63,597 | 38,789 | 102,386 | 455,104 | 341,180 |
| Total personnel expenses | 4,380,427 | 789,814 | 481,736 | 1,271,550 | 5,651,977 | 4,801,142 |
| Professional services | 465,217 | 194,333 | 186,123 | 380,456 | 845,673 | 623,130 |
| Donated professional services | - | 301,530 | - | 301,530 | 301,530 | 163,970 |
| Occupancy, including in-kind | 167,957 | 18,919 | 112 | 19,031 | 186,988 | 198,716 |
| Conferences and meetings | 54,339 | 43,866 | 18,405 | 62,271 | 116,610 | 132,776 |
| Travel | 34,796 | 37,139 | 18,181 | 55,320 | 90,116 | 126,068 |
| Supplies, including in-kind | 63,272 | 8,539 | 1,325 | 9,864 | 73,136 | 38,228 |
| Awards | 71,732 | - | - | - | 71,732 | 29,499 |
| Other operating expenses | 30 | 34,329 | 4,018 | 38,347 | 38,377 | 51,109 |
| Depreciation and amortization | - | 37,234 | - | 37,234 | 37,234 | 37,352 |
| Office equipment and software | 23,500 | 4,092 | 7,135 | 11,227 | 34,727 | 25,380 |
| Printing and publications | 24,680 | 310 | 4,090 | 4,400 | 29,080 | 7,805 |
| Insurance | 14,830 | 3,230 | 6,300 | 9,530 | 24,360 | 23,529 |
| Training | 1,836 | 15,429 | 2,674 | 18,103 | 19,939 | 1,376 |
| Telephone | 7,265 | 2,043 | 5,782 | 7,825 | 15,090 | 14,113 |
| Advertising and media expenses | 490 | 286 | 4,879 | 5,165 | 5,655 | 1,886 |
| Postage and shipping | 1,887 | 2,497 | 1,166 | 3,663 | 5,550 | 3,860 |
| Dues and subscriptions | 486 | 406 | 3,119 | 3,525 | 4,011 | 15,252 |
| License fees | 259 | 1,976 | 265 | 2,241 | 2,500 | 3,190 |
| | $ 5,313,003 | $ 1,495,972 | $ 745,310 | $ 2,241,282 | $ 7,554,285 | $ 6,298,381 |
| Percentage of total | 70 % | 20 % | 10 % | 30 % | 100 % | |

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, 2020
(With Comparative Totals for 2019)

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ 1,777,696 | $ 2,639,218 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 37,234 | 37,352 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (22,116) | 2,250 |
| Grants receivable and promises to give | 44,834 | (78,413) |
| Prepaid expenses | 315 | (2,266) |
| Deposits | (732) | 2,033 |
| Accounts payable and accrued expenses | 173,534 | 226,012 |
| Accrued payroll and related benefits | 2,327 | 11,255 |
| Accrued vacation | (16,519) | (86,619) |
| Net cash provided by operating activities | 1,996,573 | 2,750,822 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (64,473) | (21,254) |
| Net cash used in investing activities | (64,473) | (21,254) |
| Cash flows from financing activities | | |
| Proceeds from Paycheck Protection Program forgivable loan | 843,400 | - |
| Net cash provided by financing activities | 843,400 | - |
| Net increase in cash, cash equivalents and restricted cash | 2,775,500 | 2,729,568 |
| Cash, cash equivalents and restricted cash, beginning of year | 3,997,489 | 1,267,921 |
| Cash, cash equivalents and restricted cash, end of year | $ 6,772,989 | $ 3,997,489 |

| | 2020 | 2019 |
|---|---|---|
| Cash, cash equivalents and restricted cash consisted of the following: | | |
| Cash and cash equivalents | $ 6,409,327 | $ 3,635,060 |
| Cash held for endowment | 363,662 | 362,429 |
| | $ 6,772,989 | $ 3,997,489 |

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 25 schools in the San Francisco Bay Area, Washington D.C., Boston and New York City. BUILD served 1,293 students in the year ended June 30, 2020.

Record of Success - BUILD's greatest success is the academic and social advancement its current 1,300 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 2020), 96% of BUILD's seniors successfully graduated from high school on time, 93% were admitted to a post-secondary institution, and 73% 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 four 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.

Changes in accounting principles

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on Organization's financial position, results of operations, or cash flows. The Organization has evaluated contributions received and has determined that there is no change as a result of the adoption of the standard.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which clarifies that the statement of cash flows is required to explain the change of total cash, including restricted cash. As a result, restricted cash is included with cash and cash equivalents activities in the statement of cash flows. The Organization adopted ASU 2016-18 with a date of the initial application of July 1, 2019 using the full retrospective method.

The adoption of ASU 2016-18 did not have a significant impact on the Organization's financial position and results of operations. Changes resulting from this ASU are reflected for all periods presented.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020 and 2019, 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, 2020 and 2019. The accrued vacation balances as of June 30, 2020 and 2019 were $147,357 and $163,876 respectively.

Revenue recognition

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

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 restriction depending on the existence and/or nature of any restrictions and are then reclassified to net assets without donor restriction 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 revenue with or without restriction.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's state returns for the tax years ended June 30, 2016 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, 2020 and 2019 was $5,655 and $1,886, 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.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2020 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, 2020. Subsequent events have been evaluated through the date the financial statements became available to be issued, December 30, 2020.

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, 2020.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2020 to fund general expenditures and other obligations as they become due:

| | |
|---|---|
| Cash and cash equivalents | $ 6,409,327 |
| Accounts receivable | 56,616 |
| Grants receivable and promises to give | 1,643,681 |
| Cash held for endowment | 363,662 |
| | 8,473,286 |
| Less: portion not available for current use | |
| Board-designated endowment | (363,662) |
| Net assets with donor restrictions | (2,327,514) |
| | (2,691,176) |
| | $ 5,782,110 |

As of June 30, 2020, the Organization had $5,782,110 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 4-year period after June 30, 2020. 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, 2020 and 2019 ranged from 3.3% to 3.8%.

6. GRANTS RECEIVABLE AND PROMISES TO GIVE (continued)

Grants receivable and promises to give consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Grants receivable and promises to give | $ 1,760,000 | $ 1,720,100 |
| Discounts to net present value | (116,319) | (31,585) |
| | 1,643,681 | 1,688,515 |
| Grants receivable and promises to give, current portion | (716,876) | (774,290) |
| | $ 926,805 | $ 914,225 |

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Computer equipment | $ 374,170 | $ 309,697 |
| Software | 26,710 | 26,710 |
| Furniture and fixtures | 17,692 | 17,692 |
| Office equipment | 14,982 | 14,982 |
| Leasehold improvements | 5,478 | 5,478 |
| | 439,032 | 374,559 |
| Accumulated depreciation and amortization | (369,196) | (331,962) |
| | $ 69,836 | $ 42,597 |

Depreciation and amortization expense for the years ended June 30, 2020 and 2019, totaled $37,234 and $37,352, respectively.

8. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 20, 2020, the Organization received loan proceeds of $843,400 from a promissory note issued by Boston Private Bank and Trust Company, under the Paycheck Protection Program (“PPP”) which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

8. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN (continued)

On June 5, 2020, Paycheck Protection Program Flexibility Act ("PPPFA") was signed into law, and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules ("IFRS") on June 22, 2020. The enactment of PPPFA and subsequent releases of the related IFRS and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The primary modifications include: reducing from 75% to 60% the percent of a borrower's loan proceeds which must be used for payroll costs; increase from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; extended the deferral period for principal and interest on the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness.

The Organization accounted for the PPP proceeds received under the accounting guidance for debt and believes that it will likely qualify for full forgiveness and will submit its forgiveness application shortly after the end of its covered period, but there is uncertainty around the standards and operation of the PPP and no assurance is provided that the Organization will obtain forgiveness in whole or in part.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

| | Balance at June 30, 2019 | Additions | Releases | Balance at June 30, 2020 |
|---|---|---|---|---|
| Purpose restrictions | | | | |
| National office | $ 1,646,453 | $ 2,375,127 | $ (2,412,902) | $ 1,608,678 |
| New York | 205,000 | 503,197 | (414,564) | 293,633 |
| Bay Area sites | 301,734 | 547,271 | (573,968) | 275,037 |
| Boston | 166,656 | 692,754 | (729,876) | 129,534 |
| Incubator team accounts | 28,509 | - | (11,015) | 17,494 |
| Washington D.C. | 5,378 | 187,413 | (189,653) | 3,138 |
| Los Angeles | - | 5,000 | (5,000) | - |
| | $ 2,353,730 | $ 4,310,762 | $ (4,336,978) | $ 2,327,514 |

10. BOARD-DESIGNATED ENDOWMENT

As of June 30, 2020, the Board of Directors had designated $363,662 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.

10. BOARD-DESIGNATED ENDOWMENT (continued)

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.

Endowment composition

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Balance, June 30, 2019 | $ 362,429 | $ - | $ 362,429 |
| Investment return | | | |
| Investment income | 1,408 | - | 1,408 |
| Fees | (175) | - | (175) |
| Total investment return | 1,233 | - | 1,233 |
| Balance, June 30, 2020 | $ 363,662 | $ - | $ 363,662 |

10. BOARD-DESIGNATED ENDOWMENT (continued)

Endowment composition (continued)

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 |

11. CONTRIBUTIONS IN-KIND

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

In-kind contributions consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Professional services | $ 301,530 | $ 163,970 |
| Facilities | 18,919 | 66,470 |
| Supplies and minor equipment | 7,878 | 1,295 |
| | 328,327 | 231,735 |
| Special event supplies and auction items | 2,829 | 68,606 |
| | $ 331,156 | $ 300,341 |

During the years ended June 30, 2020 and 2019, 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, 2020 and 2019, mentors dedicated 5,365 and 13,235 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 $176,889 and $425,133, respectively.

## 12. COMMITMENTS AND CONTINGENCIES

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, 2020 and 2019 was $168,069 and $132,246, respectively.

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

| Year ending June 30, | | |
|---|---|---|
| 2021 | $ | 112,954 |
| 2022 | | 116,355 |
| 2023 | | 39,363 |
| | $ | 268,672 |

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. The Organization believes the ultimate impact of the COVID-19 pandemic on its operating results, cash flows and financial condition is likely to be determined by factors which are uncertain and unpredictable.

## 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 did not make a contribution to the Plan during the years ended June 30, 2020 and 2019. All of the Plan's administration costs were paid for by the Plan.

## 14. CONDITIONAL GRANTS

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

14. CONDITIONAL GRANTS (continued)

The conditional grants are detailed as follows:

| | |
|---|---|
| Incurring qualifying costs for forgiveness of the PPP loan | $ 843,400 |
| Achieving specific program success metrics | 225,000 |
| | $ 1,068,400 |