

BUILD CHANGE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

**BUILD CHANGE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Build Change
Denver, Colorado

We have audited the accompanying consolidated financial statements of Build Change (the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Build Change

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Build Change as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
June 15, 2021

BUILD CHANGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash	\$ 2,890,808	\$ 1,741,734
Accounts Receivable, Net	199,345	563,742
Less Allowance for Doubtful Accounts	-	(6,162)
Grants Receivable - Short-Term	363,045	458,808
Prepaid Expenses	32,626	40,303
Total Current Assets	3,485,824	2,798,425
PROPERTY AND EQUIPMENT		
Equipment and Furniture	102,418	399,771
Less: Accumulated Depreciation	(102,418)	(399,771)
Total Property and Equipment	-	-
OTHER LONG-TERM ASSETS		
Grants Receivable - Long-Term	221,036	527,146
Deposits	16,376	14,935
Other Assets	8,363	9,029
Total Other Long-Term Assets	245,775	551,110
Total Long-Term Assets	245,775	551,110
Total Assets	\$ 3,731,599	\$ 3,349,535
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 44,329	\$ 57,833
Credit Cards Payable	20,073	15,745
Paycheck Protection Program Loan	208,700	-
Deferred Contract Income	140,696	211,863
Accrued Liabilities	269,743	314,110
Total Current Liabilities	683,541	599,551
NET ASSETS		
Without Donor Restrictions	1,800,110	537,075
With Donor Restrictions	1,247,948	2,212,909
Total Net Assets	3,048,058	2,749,984
Total Liabilities and Net Assets	\$ 3,731,599	\$ 3,349,535

See accompanying Notes to Consolidated Financial Statements.

**BUILD CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and Contributions	\$ 813,117	\$ 696,935	\$ 1,510,052
Contract Income	1,841,499	-	1,841,499
Program Service Fees	23,171	-	23,171
Foreign Exchange Loss	(18,194)	-	(18,194)
Interest Income	339	-	339
Net Assets Released from Restrictions	1,661,896	(1,661,896)	-
Total Revenue and Support	4,321,828	(964,961)	3,356,867
EXPENSES			
Program Services:			
Indonesia	136,288	-	136,288
Innovations	297,429	-	297,429
Haiti	11,629	-	11,629
Latin America	454,423	-	454,423
Philippines	371,279	-	371,279
Nepal	598,355	-	598,355
Caribbean	432,212	-	432,212
Total Program Services	2,301,615	-	2,301,615
Management and General:			
Fundraising	291,437	-	291,437
General and Administrative	465,741	-	465,741
Total Management and General	757,178	-	757,178
Total Expenses	3,058,793	-	3,058,793
CHANGE IN NET ASSETS	1,263,035	(964,961)	298,074
Net Assets - Beginning of Year	537,075	2,212,909	2,749,984
NET ASSETS - END OF YEAR	\$ 1,800,110	\$ 1,247,948	\$ 3,048,058

See accompanying Notes to Consolidated Financial Statements.

**BUILD CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and Contributions	\$ 212,008	\$ 2,093,740	\$ 2,305,748
Contract Income	2,921,254	-	2,921,254
Program Service Fees	9,784	-	9,784
Foreign Exchange Loss	(18,705)	-	(18,705)
Interest Income	323	-	323
Net Assets Released from Restrictions	1,861,626	(1,861,626)	-
Total Revenue and Support	4,986,290	232,114	5,218,404
EXPENSES			
Program Services:			
Indonesia	196,947	-	196,947
Innovations	314,477	-	314,477
Haiti	225,564	-	225,564
Latin America	431,680	-	431,680
Philippines	486,599	-	486,599
Nepal	1,545,755	-	1,545,755
Caribbean	505,308	-	505,308
Total Program Services	3,706,330	-	3,706,330
Management and General:			
Fundraising	532,290	-	532,290
General and Administrative	574,140	-	574,140
Total Management and General	1,106,430	-	1,106,430
Total Expenses	4,812,760	-	4,812,760
CHANGE IN NET ASSETS	173,530	232,114	405,644
Net Assets - Beginning of Year	363,545	1,980,795	2,344,340
NET ASSETS - END OF YEAR	\$ 537,075	\$ 2,212,909	\$ 2,749,984

See accompanying Notes to Consolidated Financial Statements.

BUILD CHANGE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Indonesia	Innovations	Haiti	Latin America	Philippines	Nepal	Caribbean	Total Program Expense	Fundraising	General and Administrative	Total
Salaries and Wages	\$ 55,856	\$ 216,869	\$ 10,378	\$ 220,392	\$ 245,662	\$ 297,923	\$ 178,518	\$ 1,225,598	\$ 226,819	\$ 296,704	\$ 1,749,121
Employee Benefits	8,016	22,733	176	19,326	26,784	151,699	29,922	258,656	16,819	24,493	299,968
Payroll Taxes	3,333	13,629	-	15,886	13,254	13,392	5,602	65,096	13,899	21,034	100,029
Professional Services	50,245	26,727	-	121,017	38,066	32,913	114,315	383,283	16,380	20,475	420,138
Office Supplies and Expenses	1,022	529	77	4,804	8,806	11,537	6,980	33,755	4,155	16,306	54,216
Rent, Facilities, and Equipment	733	4,026	-	8,184	16,328	42,788	20,834	92,893	4,969	29,758	127,620
IT Services and Computer Expenses	4,588	6,043	119	25,336	1,069	8,173	6,581	51,909	1,366	17,897	71,172
Travel and Meetings	12,399	5,794	-	21,454	11,428	10,375	68,122	129,572	5,354	183	135,109
General Business Expenses	37	852	879	14,564	12,897	703	1,224	31,156	1,671	38,889	71,716
Training Supplies and Equipment	39	-	-	2,555	363	24	86	3,067	-	-	3,067
Training and Outreach Materials	-	-	-	-	1,090	120	28	1,238	-	-	1,238
Transport and Freight	20	227	-	905	1,349	28,708	-	31,209	5	2	31,216
Housing Subsidies	-	-	-	-	(5,817)	-	-	(5,817)	-	-	(5,817)
Total Expenses	\$ 136,288	\$ 297,429	\$ 11,629	\$ 454,423	\$ 371,279	\$ 598,355	\$ 432,212	\$ 2,301,615	\$ 291,437	\$ 465,741	\$ 3,058,793

See accompanying Notes to Consolidated Financial Statements.

**BUILD CHANGE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Indonesia	Innovations	Haiti	Latin America	Philippines	Nepal	Caribbean	Total Program Expense	Fundraising	General and Administrative	Total
Salaries and Wages	\$ 111,180	\$ 205,838	\$ 125,219	\$ 234,271	\$ 281,945	\$ 645,159	\$ 185,891	\$ 1,789,503	\$ 384,017	\$ 330,481	\$ 2,504,001
Employee Benefits	36,092	33,968	20,152	35,865	58,355	421,110	67,581	673,123	33,224	30,904	737,251
Payroll Taxes	6,064	15,797	3,767	14,208	6,905	48,892	7,056	102,689	24,266	26,347	153,302
Professional Services	258	2,197	17,242	40,844	26,980	92,098	94,235	273,854	10,739	36,737	321,330
Office Supplies and Expenses	4,915	3,552	7,974	5,487	20,173	33,782	5,406	81,289	19,606	12,191	113,086
Rent, Facilities, and Equipment	8,427	9,918	24,105	23,965	22,012	78,323	2,837	169,587	6,449	75,482	251,518
Depreciation	-	-	-	-	-	-	-	-	-	475	475
IT Services and Computer Expenses	2,652	2,654	1,785	2,993	2,797	9,076	7,407	29,364	3,076	9,485	41,925
Travel and Meetings	18,542	38,233	4,847	38,230	56,558	44,709	120,255	321,374	43,826	15,600	380,800
General Business Expenses	169	1,312	4,184	7,231	14,986	3,819	5,871	37,572	3,397	36,123	77,092
Training Supplies and Equipment	1,450	43	371	20,609	837	79,474	-	102,784	591	-	103,375
Training and Outreach Materials	280	-	1,384	926	1,498	4,295	-	8,383	-	-	8,383
Transport and Freight	6,918	965	14,534	7,051	4,200	85,018	8,769	127,455	3,099	315	130,869
Housing Subsidies	-	-	-	-	(10,647)	-	-	(10,647)	-	-	(10,647)
Total Expenses	\$ 196,947	\$ 314,477	\$ 225,564	\$ 431,680	\$ 486,599	\$ 1,545,755	\$ 505,308	\$ 3,706,330	\$ 532,290	\$ 574,140	\$ 4,812,760

See accompanying Notes to Consolidated Financial Statements.

BUILD CHANGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 298,074	\$ 405,644
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	-	475
Effects of Changes in Operating Assets and Liabilities:		
Accounts, Donations, and Grants Receivable	760,108	(196,455)
Prepaid Expenses	7,677	29,254
Other Assets	666	721
Deposits	(1,441)	3,587
Accounts Payable	(13,504)	27,822
Credit Card Payable	4,328	6,451
Accrued Liabilities	(44,367)	(66,896)
Deferred Revenue	(71,167)	(94,051)
Net Cash Provided by Operating Activities	940,374	116,552
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	208,700	-
Net Cash Provided by Financing Activities	208,700	-
NET INCREASE IN CASH	1,149,074	116,552
Cash - Beginning of Year	1,741,734	1,625,182
CASH - END OF YEAR	\$ 2,890,808	\$ 1,741,734
NONCASH TRANSACTIONS		
Donated Software and Training Services	\$ 5,287	\$ 31,981

See accompanying Notes to Consolidated Financial Statements.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Build Change (the Organization) is a nonprofit, tax-exempt corporation formed September 2, 2004 in the state of California, as an international social enterprise that designs natural disaster-resistant houses and schools in developing countries and trains builders, homeowners, engineers, and governmental officials to build them. Build Change is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1954, as amended; and accordingly, a provision for income taxes has not been made. The Internal Revenue Service has determined Build Change is not a private foundation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Build Change and Yayasan Bangunan Cemerlang Indonesia (YBCI). YBCI is an Indonesian tax-exempt entity that is controlled by Build Change. All material transactions between these entities have been eliminated in the consolidation.

Basis of Presentation Method of Accounting

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit entities. Accordingly, all significant receivables, payables and other assets and liabilities are reflected in the consolidated financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Build Change does not have any perpetually restricted net assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions

The Organization records unconditional contributions in accordance with the requirements of U.S. GAAP for nonprofit entities. The Organization recognizes revenue for contributions (and grants considered to be contributions) based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Organization is notified of the contribution and that promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions – that is, those with a measurable performance or other barrier and a right of return or release – revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Contract Income

Contract income and program service fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to the funders as outlined in each signed contract. Revenue is recognized as performance obligations are satisfied based on the fees outlined in each contract, which may include, at times, variable consideration on a per unit basis.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Organization measures the performance obligation from the signing of the contract and commencement of work, to the point when all services as outlined in the contract have been performed and final reports have been provided to the funder.

Payments received in advance of the performance of services deemed to be exchange transactions are deferred until such time as related expenditures are incurred and then revenue is recognized. Deferred revenue amounts are included under the caption Deferred Contract Income on the consolidated statements of financial position.

Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Exchange

The Organization recognized foreign exchange losses of \$18,194 and \$18,705 for the years ended December 31, 2020 and 2019, respectively.

Grants Receivable

The Organization receives grants from philanthropically focused organizations for investment in the Organization's mission related projects. Grants receivable consist of funding commitments from those organizations, which have not been received. The Organization does not charge interest on delinquent accounts. Long-term portions of grants receivable are expected to be received after December 31, 2021. The allowance on contributions and grants receivable is based on specific identification of potential uncollectible pledges as well as past history of collection. For the years ended December 31, 2020 and 2019, \$9,155 and \$6,162 were written off as uncollectible receivables.

Accounts Receivable

The Organization receives contracts to carry out services under its programs. Accounts receivable consist of payment due for contract services provided, which have not been received.

Donated Gifts and Services

Donated services are recognized as contributions in accordance with U.S. GAAP for nonprofit organizations, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2020 and 2019, the value of donated services and goods meeting the requirements for recognition in the consolidated financial statements was \$5,287 and \$31,981, respectively. However, a substantial number of volunteers have donated significant amounts of time to the Organization to carry out its mission but are not reflected in the consolidated financial statements because they do not meet the criteria for recognition as donated services.

Property and Equipment

Property and equipment is carried at cost or acquisition value at date of purchase. Property and equipment acquired with an estimated useful life in excess of one year and cost in excess of \$5,000 is capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which range from 2 to 7 years. Donations of assets are recorded at estimated fair market value.

Depreciation expense charged to operations for the years ended December 31, 2020 and 2019 was \$-0- and \$475, respectively.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairments recognized by the Organization for the years ended December 31, 2020 and 2019.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Program activities are those that are conducted in accordance with the Organization's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to the Organization's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Salaries, benefits, and payroll tax expense is allocated to programs, management, and general activities, and fundraising based on time recorded and classified by employees. All other expense is allocated to activities based on direct costs to those activities.

Accrued Vacation

Employees earn between 80 and 200 hours of paid time off (PTO) each year and may carry over up to one time their annual PTO accrual rate. Accrued hours carried over from year to year are recorded as accrued wages payable at year-end. As of December 31, 2020 and 2019, total accrued PTO was \$74,939 and \$91,689, respectively, which is included as a component of accrued liabilities.

Advertising

The Organization may use advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. The Organization had advertising costs of \$5,025 and \$17,262 for the years ended December 31, 2020 and 2019, respectively.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the IRC. However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

**BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

In accordance with U.S. GAAP, a private entity is required to disclose any material uncertain tax positions that management believes does not meet a more likely than not standard of being sustained under an income tax audit and to record a liability for any such taxes including penalty and interest. Management of the Organization has not identified any uncertain tax positions that require the recording of a liability mentioned above or further disclosure.

Change in Accounting Principle

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) which is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets. The new standard takes effect for calendar year 2022 for the Organization.

Management is currently evaluating the potential impact of this ASU on the Organization's consolidated financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 2,890,808	\$ 1,741,734
Accounts Receivable	199,345	563,742
Grants Receivable - Short-Term	363,045	458,808
Financial Asset Total	3,453,198	2,764,284
Less: Board Designated Operating Reserve	(205,164)	(180,765)
Net Financial Assets Available for Liquidity	\$ 3,248,034	\$ 2,583,519

Build Change receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2020 and 2019 restricted contributions of \$1,109,236 and \$1,685,763 were included in financial assets available to meet cash needs for general expenditures within one year.

The board-designated operating reserve could be drawn upon for liquidity purposes if approved by the governing board of directors, and Build Change has a committed line of credit of \$40,000 that could be drawn upon in the event of an unanticipated liquidity need (Note 10).

**BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 GRANTS RECEIVABLE

Contribution and grants receivable are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Amounts Due in:		
2020	N/A	458,808
2021	363,045	333,333
2022	<u>233,333</u>	<u>233,333</u>
Gross Grants Receivable	596,378	1,025,474
Less: Discount		
(4.75% and 4.75%, Respectively) on Receivable	<u>(12,297)</u>	<u>(39,520)</u>
Net Grants Receivable	<u>\$ 584,081</u>	<u>\$ 985,954</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS AND DESIGNATIONS

The Organization receives contributions from various corporations, organizations, and individuals. At December 31, 2020 and 2019, net assets are restricted for the following purposes or periods as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specific Purpose:		
Other Programs	\$ 466,667	\$ 266,666
Innovations	239,100	506,057
Philippines	200,169	156,834
Latin America	122,117	273,500
Haiti	12,483	107,324
Nepal	<u>-</u>	<u>707</u>
	1,040,536	1,311,088
Subject to Expenditure for Specific Purpose:		
For Periods after December 31	<u>207,412</u>	<u>901,821</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,247,948</u>	<u>\$ 2,212,909</u>

The Organization's governing board has designated net assets without donor restrictions for the following purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Designated Operating Reserve	<u>\$ 205,164</u>	<u>\$ 180,765</u>

**BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS AND DESIGNATIONS (CONTINUED)

Restrictions Released

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31:

	2020	2019
Purpose Restrictions Accomplished:		
Other Programs	\$ 133,333	\$ -
Innovations	516,958	211,556
Philippines	23,331	391,149
Latin America	151,383	178,462
Haiti	94,841	257,779
Nepal	709	16,791
Indonesia	-	162,420
Caribbean	-	100,000
Time Restrictions Expired:		
Passage of Specified Time	741,341	543,469
Total Restrictions Released	\$ 1,661,896	\$ 1,861,626

NOTE 5 SEVERANCE ACCRUAL

The Organization records a severance accrual for employees in Nepal and the Philippines to conform with legal requirements of those countries. Severance pay for Nepal is calculated as current monthly salary times years of service. Severance pay for the Philippines is calculated as either a minimum of one month pay or one month for every year of service, whichever is greater. The total severance accrual for Nepal and the Philippines as of December 31, 2020 was \$74,154 and \$24,591, respectively, and as of December 31, 2019, was \$60,126 and \$14,328, respectively. The severance accrual is reported in the accrued liabilities line on the consolidated statements of financial position. This represents management's estimate of the severance liability due to current employees upon cessation of employment.

NOTE 6 OPERATING LEASE

The Organization leases office space under noncancelable operating leases. The lease agreement for the Organization's headquarters was terminated in May of 2020. Minimum future lease payments for office space in foreign countries for the year ended December 31, 2021 is approximately \$34,661.

Rental expense related to operating leases was \$113,861 and \$210,132 for the years ended December 31, 2020 and 2019, respectively.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of the following:

Cash

At certain times throughout the year, the Organization had certain cash equivalent amounts in excess of the federally insured amounts for depository accounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on these balances.

Cash and investments held in foreign banks totaling \$293,931 and \$201,403 are uninsured and subject to credit risk and foreign currency risk as of December 31, 2020 and 2019, respectively. The Organization manages foreign currency risk by transferring cash to international accounts for immediate operating needs on a monthly basis.

Revenue and Receivables

At December 31, 2020 and 2019, approximately 71% and 54% of the Organization's receivables were due from two and three parties, respectively. For the years ended December 31, 2020 and 2019 approximately 69% and 44% of the Organization's total revenue was concentrated with four and two parties, respectively.

NOTE 8 FIRST DRAW PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2020 the Organization received a loan from a financial institution in the amount of \$208,700 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months and payments were deferred for 6 months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 16 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program (Note 13). The covered period from April 21, 2020 to October 5, 2020 is the time that a business has to spend their PPP loan funds. The Organization has classified the loan as current in accordance with the terms of the law.

NOTE 9 CONTINGENCIES

Based on the nature of the Organization's operations in post-disaster settings where funding may vary widely from one period to the next, the Organization must continually assess the amount of funding available for each of its programs and make contingency plans to work within the funds available.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 CONTINGENCIES (CONTINUED)

In addition, the Organization has received several grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Management believes disallowances, if any, will be immaterial in relation to the Organization's consolidated financial statements.

NOTE 10 COMMITMENTS

The Organization maintains a line of credit with a bank with maximum borrowings of up to \$40,000. Borrowing on the line of credit accrues interest at a rate of 10.5%. At both December 31, 2020 and 2019, the Organization had \$-0- outstanding cash borrowing on the line of credit.

NOTE 11 RELATED PARTY TRANSACTIONS

A portion of the Organization's activities and transactions are with individuals who are related to the Organization. Significant related party transactions are described below.

During the years ended December 31, 2020 and 2019, payments were made to one board member totaling \$171,124 and \$185,000, respectively, for general and administrative services.

Contributions from board members during the years ended December 31, 2020 and 2019 totaled \$6,357 and \$119,336, respectively.

NOTE 12 RISKS AND UNCERTAINTIES – GLOBAL PANDEMIC

The COVID-19 global pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Build Change, COVID-19 may impact various parts of its calendar year 2021 operations and financial results, including potential reductions to grants and contracts and impacts on travel. Management believes Build Change is taking appropriate actions to mitigate any potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 13 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 15, 2021, the date the financial statements were available to be issued.

**BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 13 SUBSEQUENT EVENTS (CONTINUED)

Forgiveness of First Draw PPP Loan

On April 20, 2020, the Organization executed its First Draw PPP loan of \$208,700 as authorized by the CARES Act that was signed into law on March 27, 2020 (Note 8). On January 27, 2021, the SBA processed the Organization's First Draw PPP Loan forgiveness application and notified Build Change's lender that Build Change's First Draw PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, Build Change was legally released from the debt related to its first draw PPP Loan.

Second Draw PPP Loan

On March 6, 2021 the Organization executed a loan of \$195,700 under the Paycheck Protection Program (PPP) authorized by the Consolidated Appropriations Act, 2021 that was signed into law on December 27, 2020. The PPP loan begins accruing interest at a rate of 1.00% on the effective date and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Ten months after the effective date principal payments are due through the maturity of the loan. The loan matures on March 6, 2026. The PPP loan funds are eligible for forgiveness to the extent that they are used to cover payroll costs, other eligible expenses and if Build Change maintains employee and compensation levels in the same manner required for the First Draw PPP Loan.