

BUILD CHANGE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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**BUILD CHANGE
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Build Change
Denver, Colorado

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Build Change 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.

Emphasis-of-Matter Regarding Correction of an Error

As described in Note 14 to the financial statements, the entity has adjusted short-term grants receivable, grants and contribution revenue, and net assets with donor restrictions. These adjustments were recorded during 2020 and impacted balances as of December 31, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Build Change's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Build Change'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Build Change'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.



CliftonLarsonAllen LLP

Denver, Colorado
July 7, 2022

BUILD CHANGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	As Restated 2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,851,591	\$ 2,890,808
Accounts Receivable, Net	33,918	199,345
Grants Receivable - Short-Term (Restated - Note 14)	190,765	425,085
Prepaid Expenses	38,127	32,626
Total Current Assets	3,114,401	3,547,864
PROPERTY AND EQUIPMENT		
Equipment and Furniture	839,068	102,418
Less: Accumulated Depreciation	(245,655)	(102,418)
Total Property and Equipment	593,413	-
OTHER LONG-TERM ASSETS		
Grants Receivable - Long-Term	-	221,036
Deposits	4,228	16,376
Other Assets	7,697	8,363
Total Other Long-Term Assets	11,925	245,775
Total Long-Term Assets	605,338	245,775
Total Assets	\$ 3,719,739	\$ 3,793,639
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 32,671	\$ 44,329
Credit Cards Payable	23,101	20,073
Paycheck Protection Program Loan	195,700	208,700
Deferred Contract Income	33,309	140,696
Accrued Liabilities	202,016	269,743
Total Current Liabilities	486,797	683,541
NET ASSETS		
Without Donor Restrictions	1,700,294	1,800,110
With Donor Restrictions (Restated - Note 14)	1,532,648	1,309,988
Total Net Assets	3,232,942	3,110,098
Total Liabilities and Net Assets	\$ 3,719,739	\$ 3,793,639

See accompanying Notes to Consolidated Financial Statements.

**BUILD CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and Contributions	\$ 796,468	\$ 1,447,180	\$ 2,243,648
Contract Income	917,954	-	917,954
Program Service Fees	48,685	-	48,685
Foreign Exchange Loss	(24,051)	-	(24,051)
Paycheck Protection Program Loan Forgiveness	208,700	-	208,700
Interest Income	440	-	440
Net Assets Released from Restrictions	1,224,520	(1,224,520)	-
Total Revenue and Support	<u>3,172,716</u>	<u>222,660</u>	<u>3,395,376</u>
EXPENSES			
Program Services:			
Indonesia	129,928	-	129,928
Innovations	777,454	-	777,454
Haiti	62,985	-	62,985
Latin America	584,949	-	584,949
Philippines	470,188	-	470,188
Nepal	34,615	-	34,615
Caribbean	208,091	-	208,091
United States	23,766	-	23,766
Total Program Services	<u>2,291,976</u>	<u>-</u>	<u>2,291,976</u>
Management and General:			
Fundraising	336,661	-	336,661
General and Administrative	643,895	-	643,895
Total Management and General	<u>980,556</u>	<u>-</u>	<u>980,556</u>
Total Expenses	<u>3,272,532</u>	<u>-</u>	<u>3,272,532</u>
CHANGE IN NET ASSETS	(99,816)	222,660	122,844
Net Assets - Beginning of Year (As Restated - Note 14)	<u>1,800,110</u>	<u>1,309,988</u>	<u>3,110,098</u>
NET ASSETS - END OF YEAR	<u>\$ 1,700,294</u>	<u>\$ 1,532,648</u>	<u>\$ 3,232,942</u>

See accompanying Notes to Consolidated Financial Statements.

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

	As Restated		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUE AND SUPPORT			
Grants and Contributions (As Restated - Note 14)	\$ 813,117	\$ 758,975	\$ 1,572,092
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	<u>4,321,828</u>	<u>(902,921)</u>	<u>3,418,907</u>
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	<u>2,301,615</u>	<u>-</u>	<u>2,301,615</u>
Management and General:			
Fundraising	291,437	-	291,437
General and Administrative	465,741	-	465,741
Total Management and General	<u>757,178</u>	<u>-</u>	<u>757,178</u>
Total Expenses	<u>3,058,793</u>	<u>-</u>	<u>3,058,793</u>
CHANGE IN NET ASSETS (AS RESTATED - NOTE 14)	1,263,035	(902,921)	360,114
Net Assets - Beginning of Year	<u>537,075</u>	<u>2,212,909</u>	<u>2,749,984</u>
NET ASSETS - END OF YEAR (AS RESTATED - NOTE 14)	<u>\$ 1,800,110</u>	<u>\$ 1,309,988</u>	<u>\$ 3,110,098</u>

See accompanying Notes to Consolidated Financial Statements.

BUILD CHANGE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Indonesia	Innovations	Haiti	Latin America	Philippines	Nepal	Caribbean	United States	Total Program Expense	Fundraising	General and Administrative	Total
Salaries and Wages	\$ 46,997	\$ 413,890	\$ 32,238	\$ 281,362	\$ 292,081	\$ 29,624	\$ 112,362	\$ 18,564	\$ 1,227,118	\$ 264,542	\$ 425,875	\$ 1,917,535
Employee Benefits	3,501	21,023	2,953	21,763	32,136	1,228	8,255	1,387	92,246	22,019	52,518	166,783
Payroll Taxes	1,989	22,469	387	66,538	10,001	222	3,834	1,125	106,565	19,418	29,358	155,341
Professional Services	66,989	45,237	16,470	148,816	20,748	2,132	28,455	-	328,847	6,853	25,481	361,181
Office Supplies and Expenses	1,521	8,516	637	12,197	14,666	6	3,356	1,157	42,056	5,419	21,020	68,495
Rent, Facilities, and Equipment	268	1,839	270	13,795	1,835	30	10,797	-	28,834	1,900	2,280	33,014
Depreciation	-	143,238	-	-	-	-	-	-	143,238	-	-	143,238
IT Services and Computer Expenses	1,196	29,287	780	10,149	2,726	917	1,963	1,522	48,540	8,344	14,046	70,930
Travel and Meetings	7,317	89,075	195	20,546	24,140	-	38,637	9	179,919	7,467	17,956	205,342
General Business Expenses	12	1,978	2	3,719	781	456	432	2	7,382	699	55,361	63,442
Training Supplies and Equipment	-	-	9,053	1,320	26,863	-	-	-	37,236	-	-	37,236
Training and Outreach Materials	138	-	-	-	9,601	-	-	-	9,739	-	-	9,739
Transport and Freight	-	902	-	4,744	2,451	-	-	-	8,097	-	-	8,097
Housing Subsidies	-	-	-	-	32,159	-	-	-	32,159	-	-	32,159
Total Expenses	\$ 129,928	\$ 777,454	\$ 62,985	\$ 584,949	\$ 470,188	\$ 34,615	\$ 208,091	\$ 23,766	\$ 2,291,976	\$ 336,661	\$ 643,895	\$ 3,272,532

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 STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	As Restated 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 122,844	\$ 360,114
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	143,238	-
Contributed property and equipment capitalized	(736,651)	-
Paycheck Protection Program Loan Forgiveness	(208,700)	-
Effects of Changes in Operating Assets and Liabilities:		
Accounts, Donations, and Grants Receivable	620,783	698,068
Prepaid Expenses	(5,501)	7,677
Other Assets	666	666
Deposits	12,148	(1,441)
Accounts Payable	(11,658)	(13,504)
Credit Card Payable	3,028	4,328
Accrued Liabilities	(67,727)	(44,367)
Deferred Revenue	(107,387)	(71,167)
Net Cash Provided (Used) by Operating Activities	(234,917)	940,374
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	195,700	208,700
NET CHANGE IN CASH	(39,217)	1,149,074
Cash - Beginning of Year	2,890,808	1,741,734
CASH - END OF YEAR	\$ 2,851,591	\$ 2,890,808

See accompanying Notes to Consolidated Financial Statements.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 (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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions

The Organization records unconditional contributions in accordance with the requirements of 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 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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Exchange

The Organization recognized foreign exchange losses of \$24,051 and \$18,194 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, \$-0- and \$9,155 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 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, 2021 and 2020, the value of donated services and goods meeting the requirements for recognition in the consolidated financial statements was \$736,651 and \$5,287, 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, 2021 and 2020 was \$143,238 and \$-0-, respectively.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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, 2021 and 2020, total accrued PTO was \$109,087 and \$74,939, 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 \$8,367 and \$5,025 for the years ended December 31, 2021 and 2020, 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, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

In accordance with 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:

	2021	As Restated 2020
	<u> </u>	<u> </u>
Cash and Cash Equivalents	\$ 2,851,591	\$ 2,890,808
Accounts Receivable	33,918	199,345
Grants Receivable - Short-Term	190,765	425,085
Financial Asset Total	<u>3,076,274</u>	<u>3,515,238</u>
Less: Board Designated Operating Reserve	<u>(228,080)</u>	<u>(205,164)</u>
Net Financial Assets Available for Liquidity	<u><u>\$ 2,848,194</u></u>	<u><u>\$ 3,310,074</u></u>

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, 2021 and 2020 restricted contributions of \$1,532,648 and \$1,026,912 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 \$100,000 that could be drawn upon in the event of an unanticipated liquidity need (Note 10).

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 GRANTS RECEIVABLE

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

	<u>2021</u>	<u>As Restated 2020</u>
Amounts Due in:		
2021	N/A	\$ 425,085
2022	190,765	233,333
Gross Grants Receivable	<u>190,765</u>	<u>658,418</u>
Less: Discount		
(N/A and 4.75%, Respectively) on Receivable	-	(12,297)
Net Grants Receivable	<u>\$ 190,765</u>	<u>\$ 646,121</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS AND DESIGNATIONS

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

	<u>2021</u>	<u>As Restated 2020</u>
Subject to Expenditure for Specific Purpose:		
Other Programs	\$ 133,667	\$ 466,667
Innovations	257,709	301,140
Philippines	-	200,169
Latin America	152,897	122,117
Haiti	104,597	12,483
United States	51	-
	<u>648,921</u>	<u>1,102,576</u>
Subject to Expenditure for Specific Purpose:		
For Periods after December 31	<u>883,727</u>	<u>207,412</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,532,648</u>	<u>\$ 1,309,988</u>

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

	<u>2021</u>	<u>2020</u>
Designated Operating Reserve	<u>\$ 228,080</u>	<u>\$ 205,164</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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:

	2021	2020
Purpose Restrictions Accomplished:		
Other Programs	\$ -	\$ 133,333
Innovations	315,130	516,958
Philippines	334,164	23,331
Latin America	244,220	151,383
Haiti	68,057	94,841
Nepal	-	709
Time Restrictions Expired:		
Passage of Specified Time	262,949	741,341
Total Restrictions Released	\$ 1,224,520	\$ 1,661,896

NOTE 5 SEVERANCE ACCRUAL

The Organization records a severance accrual for employees in the Philippines to conform with legal requirements of that country. 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 the Philippines as of December 31, 2021 and 2020 was \$24,106 and \$98,745, 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, 2022 is approximately \$19,704.

Rental expense related to operating leases was \$28,358 and \$113,861 for the years ended December 31, 2021 and 2020, respectively.

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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 \$34,923 and \$293,931 are uninsured and subject to credit risk and foreign currency risk as of December 31, 2021 and 2020, 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, 2021 and 2020, approximately 90% and 71%, respectively, of the Organization's receivables were due from two parties. For the years ended December 31, 2021 and 2020 approximately 30% and 69% of the Organization's total revenue was concentrated with one and four parties, respectively.

NOTE 8 PAYCHECK PROTECTION PROGRAM (PPP) LOANS

First Draw PPP Loan

In 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). This loan had stipulations that allowed the amounts owed to be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program administered by the U.S. Small Business Administration. The loan originated on April 20, 2020, at a 1% fixed interest rate. On January 27, 2021, the Organization was notified that the SBA approved full forgiveness for the entire amount of its PPP Loan. Accordingly, the Organization recognized \$208,700 of Paycheck Protection Program Loan Forgiveness revenue related to this agreement during the year ended December 31, 2021, which represents the entire amount of the PPP loan as management believes that all the related performance barriers have been met.

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NOTE 8 PAYCHECK PROTECTION PROGRAM (PPP) LOANS (CONTINUED)

Second Draw PPP Loan

The Organization received a second loan in the amount of \$195,700 to fund payroll, rent and utilities through the federal Paycheck Protection Program. This loan may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program administered by the U.S. Small Business Administration. The loan originated on March 6, 2021, at a 1% fixed interest rate. If terms for complete forgiveness are not met, payments are due through the maturity of the loan beginning 10 months after the effective date. The loan matures on March 6, 2026. The amount outstanding of the loan as of December 31, 2021 was \$195,700. See Note 13 for additional information on loan forgiveness.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on holler thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

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.

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 \$100,000. Borrowing on the line of credit accrues interest at a rate of 10.5%. At both December 31, 2021 and 2020, the Organization had \$-0- outstanding cash borrowing on the line of credit.

BUILD CHANGE
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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, 2021 and 2020, payments were made to one board member totaling \$195,625 and \$171,124, respectively, for general and administrative services.

Contributions from board members during the years ended December 31, 2021 and 2020 totaled \$38,221 and \$6,357, respectively.

NOTE 12 EMPLOYEE RETENTION CREDIT

The Organization claimed the Employee Retention Credit (ERC) for the first quarter of 2021. The ERC is a refundable payroll tax credit, provided under the CARES Act of 2020, and amended by the Relief Act of 2021, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act. The purpose of the ERC is to encourage employers to keep employees on their payroll. In order to be eligible for the ERC, the Organization must satisfy certain conditions under the law. Therefore, the Organization has classified this ERC as a conditional contribution for accounting purposes in accordance with ASC 958-605. The Organization has determined that it has satisfied all of the conditions to be eligible for the ERC as of December 31, 2021, and therefore recognized \$55,473 of Employee Retention Credit revenue which is included in grants and contributions revenue in the consolidated statements of activities.

NOTE 13 SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 7, 2022, the date the consolidated financial statements were available to be issued.

Forgiveness of Second Draw PPP Loan

On March 6, 2021, the Organization executed its Second Draw PPP loan of \$195,700 as authorized by the CARES Act that was signed into law on March 27, 2020 (Note 8). On January 14, 2022, the SBA processed the Organization's Second Draw PPP Loan forgiveness application and notified Build Change's lender that Build Change's Second 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 second draw PPP Loan.

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NOTE 14 RESTATEMENT

The Organization has restated its net assets as of January 1, 2021 to record an unconditional contribution received during calendar year 2020. FASB ASU 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made states that unconditional promises to give shall be recognized in full when the promise to give contribution is received.

The effects of this restatement on the calendar year 2020 financial statements have been summarized below.

Statement of Financial Position, 2020

	As Originally Reported		
	As Originally Reported	As Restated	Effect of Change
Grants Receivable - Short-Term	\$ 363,045	\$ 425,085	\$ 62,040
Total Assets	<u>\$ 3,731,599</u>	<u>\$ 3,793,639</u>	<u>\$ 62,040</u>
Total Liabilities	<u>\$ 683,541</u>	<u>\$ 683,541</u>	<u>\$ -</u>
With Donor Restrictions	1,800,110	1,800,110	-
Without Donor Restrictions	<u>1,247,948</u>	<u>1,309,988</u>	<u>62,040</u>
Total Net Assets	<u>3,048,058</u>	<u>3,110,098</u>	<u>62,040</u>
Total Liabilities and Net Assets	<u>\$ 3,731,599</u>	<u>\$ 3,793,639</u>	<u>\$ 62,040</u>

Statement of Activities, 2020

	As Originally Reported			As Restated			Effect of Change		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Contributions	\$ 813,117	\$ 696,935	\$ 1,510,052	\$ 813,117	\$ 758,975	\$ 1,572,092	\$ -	\$ 62,040	\$ 62,040
Total Support and Revenue	<u>4,321,828</u>	<u>(964,961)</u>	<u>3,356,867</u>	<u>4,321,828</u>	<u>(902,921)</u>	<u>3,418,907</u>	<u>-</u>	<u>62,040</u>	<u>62,040</u>
Total Expenses	<u>3,058,793</u>	<u>-</u>	<u>3,058,793</u>	<u>3,058,793</u>	<u>-</u>	<u>3,058,793</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	1,263,035	(964,961)	298,074	1,263,035	(902,921)	360,114	-	62,040	62,040
Net Assets - Beginning of Year	537,075	2,212,909	2,749,984	537,075	2,212,909	2,749,984	-	-	-
Net Assets - End of Year	<u>\$ 1,800,110</u>	<u>\$ 1,247,948</u>	<u>\$ 3,048,058</u>	<u>\$ 1,800,110</u>	<u>\$ 1,309,988</u>	<u>\$ 3,110,098</u>	<u>\$ -</u>	<u>\$ 62,040</u>	<u>\$ 62,040</u>



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