

BUILD CHANGE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**BUILD CHANGE
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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, 2022 and 2021, 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, 2022 and 2021, 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 audits 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.

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
May 26, 2023

BUILD CHANGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|------------------------------------|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 2,336,718 | \$ 2,851,591 |
| Accounts Receivable, Net | 22,895 | 33,918 |
| Grants Receivable - Short-Term | 67,851 | 190,765 |
| Prepaid Expenses | 59,249 | 38,127 |
| Total Current Assets | 2,486,713 | 3,114,401 |
| PROPERTY AND EQUIPMENT | | |
| Equipment and Furniture | 839,068 | 839,068 |
| Less: Accumulated Depreciation | (491,205) | (245,655) |
| Total Property and Equipment | 347,863 | 593,413 |
| OTHER LONG-TERM ASSETS | | |
| Other Assets | 7,754 | 11,925 |
| Total Other Long-Term Assets | 7,754 | 11,925 |
| Total Long-Term Assets | 355,617 | 605,338 |
| Total Assets | \$ 2,842,330 | \$ 3,719,739 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 32,539 | \$ 32,671 |
| Credit Cards Payable | 50,853 | 23,101 |
| Paycheck Protection Program Loan | - | 195,700 |
| Deferred Contract Income | 12,507 | 33,309 |
| Accrued Liabilities | 207,077 | 202,016 |
| Total Current Liabilities | 302,976 | 486,797 |
| NET ASSETS | | |
| Without Donor Restrictions | | |
| Undesignated | 1,484,177 | 1,472,214 |
| Board Designated Operating Reserve | 360,070 | 228,080 |
| Total Without Donor Restrictions | 1,844,247 | 1,700,294 |
| With Donor Restrictions | 695,107 | 1,532,648 |
| Total Net Assets | 2,539,354 | 3,232,942 |
| Total Liabilities and Net Assets | \$ 2,842,330 | \$ 3,719,739 |

See accompanying Notes to Consolidated Financial Statements.

**BUILD CHANGE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Grants and Contributions | \$ 2,913,489 | \$ 503,719 | \$ 3,417,208 |
| Contributed Nonfinancial Assets | - | 2,821 | 2,821 |
| Contract Income | 238,844 | - | 238,844 |
| Program Service Fees | 2,533 | - | 2,533 |
| Foreign Exchange Loss | (10,610) | - | (10,610) |
| Paycheck Protection Program Loan Forgiveness | 195,700 | - | 195,700 |
| Net Assets Released from Restrictions | 1,344,081 | (1,344,081) | - |
| Total Revenue and Support | <u>4,684,037</u> | <u>(837,541)</u> | <u>3,846,496</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Indonesia | 142,772 | - | 142,772 |
| Innovations | 466,399 | - | 466,399 |
| Haiti | 256,788 | - | 256,788 |
| Latin America | 704,584 | - | 704,584 |
| Philippines | 424,374 | - | 424,374 |
| Nepal | 35,512 | - | 35,512 |
| Caribbean | 73,064 | - | 73,064 |
| United States | 224,939 | - | 224,939 |
| Advocacy | 254,836 | - | 254,836 |
| Housing and Finance | 165,832 | - | 165,832 |
| Total Program Services | <u>2,749,100</u> | <u>-</u> | <u>2,749,100</u> |
| Management and General: | | | |
| Fundraising | 973,355 | - | 973,355 |
| General and Administrative | 817,629 | - | 817,629 |
| Total Management and General | <u>1,790,984</u> | <u>-</u> | <u>1,790,984</u> |
| Total Expenses | <u>4,540,084</u> | <u>-</u> | <u>4,540,084</u> |
| CHANGE IN NET ASSETS | 143,953 | (837,541) | (693,588) |
| Net Assets - Beginning of Year | <u>1,700,294</u> | <u>1,532,648</u> | <u>3,232,942</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,844,247</u> | <u>\$ 695,107</u> | <u>\$ 2,539,354</u> |

See accompanying Notes to Consolidated Financial Statements.

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Grants and Contributions | \$ 796,468 | \$ 710,530 | \$ 1,506,998 |
| Contributed Nonfinancial Assets | - | 736,650 | 736,650 |
| Contract Income | 917,954 | - | 917,954 |
| Program Service Fees | 49,125 | - | 49,125 |
| Foreign Exchange Loss | (24,051) | - | (24,051) |
| Paycheck Protection Program Loan Forgiveness | 208,700 | - | 208,700 |
| 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 | <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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

| | Indonesia | Innovations | Haiti | Latin America | Philippines | Nepal | Caribbean | United States | Advocacy | Housing & Finance | Total Program Expense | Fundraising | General and Administrative | Total |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|----------------------|-----------------------------|-------------------|-------------------------------|---------------------|
| Salaries and Wages | \$ 103,695 | \$ 317,243 | \$ 40,611 | \$ 295,222 | \$ 217,774 | \$ 17,738 | \$ 58,269 | \$ 122,491 | \$ 179,690 | \$ 25,712 | \$ 1,378,445 | \$ 779,087 | \$ 523,824 | \$ 2,681,356 |
| Employee Benefits | 3,465 | 22,057 | 15,500 | 26,261 | 37,341 | 268 | 1,613 | 18,085 | 11,219 | 16,605 | 152,414 | 57,810 | 48,864 | 259,088 |
| Payroll Taxes | 1,892 | 20,859 | 595 | 37,682 | 2,840 | 718 | 2,327 | 7,966 | 13,863 | 1,948 | 90,690 | 43,426 | 44,570 | 178,686 |
| Professional Services | 1,520 | 1,725 | 47,019 | 106,689 | 16,176 | 8,926 | 80 | 60 | 2,774 | 3,787 | 188,756 | 27,151 | 67,829 | 283,736 |
| Office Supplies and Expenses | 3,982 | 7,009 | 3,908 | 10,364 | 10,051 | 438 | 196 | 8,097 | 3,579 | 201 | 47,825 | 11,181 | 26,367 | 85,373 |
| Rent, Facilities, and Equipment | 155 | - | 108 | 9,228 | 313 | - | 1,814 | - | - | - | 11,618 | 43 | 3,641 | 15,302 |
| Depreciation | 15,047 | 49,015 | 26,995 | 74,652 | 44,782 | 3,742 | 7,678 | 23,639 | - | - | 245,550 | - | - | 245,550 |
| IT Services and Computer Expenses | 1,636 | 24,836 | 1,061 | 24,565 | 4,823 | 210 | 135 | 3,107 | 2,353 | 115 | 62,841 | 14,582 | 20,941 | 98,364 |
| Travel and Meetings | 8,031 | 23,152 | 6,235 | 31,405 | 62,396 | 3,437 | 946 | 40,815 | 41,280 | 23,750 | 241,447 | 38,839 | 34,431 | 314,717 |
| General Business Expenses | 251 | 308 | 11 | 3,637 | 1,401 | 4 | 6 | 679 | 78 | 438 | 6,813 | 1,130 | 47,128 | 55,071 |
| Training Supplies and Equipment | 1,710 | 57 | 6,179 | 1,463 | 23,618 | - | - | - | - | 35 | 33,062 | - | - | 33,062 |
| Training and Outreach Materials | - | - | 131 | - | 1,425 | - | - | - | - | - | 1,556 | - | - | 1,556 |
| Transport and Freight | 1,388 | 138 | - | 5,209 | 1,434 | 31 | - | - | - | 1,733 | 9,933 | 106 | 34 | 10,073 |
| Housing Subsidies | - | - | 108,435 | 78,207 | - | - | - | - | - | 91,508 | 278,150 | - | - | 278,150 |
| Total Expenses | \$ 142,772 | \$ 466,399 | \$ 256,788 | \$ 704,584 | \$ 424,374 | \$ 35,512 | \$ 73,064 | \$ 224,939 | \$ 254,836 | \$ 165,832 | \$ 2,749,100 | \$ 973,355 | \$ 817,629 | \$ 4,540,084 |

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 STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (693,588) | \$ 122,844 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 245,550 | 143,238 |
| Contributed Property and Equipment Capitalized | - | (736,651) |
| Paycheck Protection Program Loan Forgiveness | (195,700) | (208,700) |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Accounts and Grants Receivable | 133,937 | 620,783 |
| Prepaid Expenses | (21,122) | (5,501) |
| Other Assets | 4,171 | 12,814 |
| Accounts Payable | (132) | (11,658) |
| Credit Card Payable | 27,752 | 3,028 |
| Accrued Liabilities | 5,061 | (67,727) |
| Deferred Revenue | (20,802) | (107,387) |
| Net Cash Used by Operating Activities | (514,873) | (234,917) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Paycheck Protection Program Loan | - | 195,700 |
| NET CHANGE IN CASH | (514,873) | (39,217) |
| Cash - Beginning of Year | 2,851,591 | 2,890,808 |
| CASH - END OF YEAR | \$ 2,336,718 | \$ 2,851,591 |

See accompanying Notes to Consolidated Financial Statements.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

Adoption of New Accounting Standards

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Number 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about noncash contributions nonprofit organizations receive or make, known as gifts-in-kind (GIKs). Contributed nonfinancial assets are required to be reported by category within the consolidated statements of activities, and additional disclosures are required for each category, including whether nonfinancial assets were monetized or utilized during the reporting period, the policy for monetizing nonfinancial contributions, and descriptions of the fair value techniques used to arrive at a fair value measurement. The Organization adopted the requirements of the new ASU as of January 1, 2022, utilizing the retrospective method of transition. The adoption of this ASU did not result in a material impact on the entity's financial statements.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. The adoption of the standard did not have a significant impact on the assets and liabilities reported on the consolidated statements of financial position.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

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, 2022 AND 2021**

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, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Exchange

The Organization recognized foreign exchange losses of \$10,610 and \$24,051 for the years ended December 31, 2022 and 2021, 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 in over one year. 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, 2022 and 2021, there were no uncollectible receivables written off.

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.

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 two to seven years. Donations of assets are recorded at estimated fair market value.

Depreciation expense charged to operations for the years ended December 31, 2022 and 2021 was \$245,550 and \$143,238, respectively.

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, 2022 and 2021.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 120 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, 2022 and 2021, total accrued PTO was \$94,023 and \$109,087, respectively, which is included as a component of accrued liabilities.

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).

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.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| Cash and Cash Equivalents | \$ 2,336,718 | \$ 2,851,591 |
| Accounts Receivable | 22,895 | 33,918 |
| Grants Receivable - Short-Term | <u>67,851</u> | <u>190,765</u> |
| Financial Asset Total | 2,427,464 | 3,076,274 |
| Less: Net Assets With Donor Restrictions | (695,107) | (1,532,648) |
| Less: Board Designated Operating Reserve | <u>(360,070)</u> | <u>(228,080)</u> |
| Net Financial Assets Available for Liquidity | <u><u>\$ 1,372,287</u></u> | <u><u>\$ 1,315,546</u></u> |

The board-designated operating reserve could be drawn upon for liquidity purposes if approved by the governing board of directors. Additionally, 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 11).

NOTE 3 GRANTS RECEIVABLE

Grants receivable as of December 31, 2022 and 2021 was \$67,851 and \$190,765, respectively. All grants receivable are expected to be collected within one year of the date of the financial statements.

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

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>2022</u> | <u>2021</u> |
|--|--------------------------|----------------------------|
| Subject to Expenditure for Specific Purpose: | | |
| Other Programs | \$ - | \$ 133,667 |
| Innovations | 1,073 | 257,709 |
| Housing and Finance | 233,270 | - |
| Philippines | - | - |
| Latin America | 45,050 | 152,897 |
| Haiti | - | 104,597 |
| United States | <u>-</u> | <u>51</u> |
| | 279,393 | 648,921 |
| Subject to Expenditure for Specific Purpose: | | |
| For Periods After December 31 | 415,714 | 883,727 |
| Total Net Assets With Donor Restrictions | <u><u>\$ 695,107</u></u> | <u><u>\$ 1,532,648</u></u> |

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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:

| | 2022 | 2021 |
|------------------------------------|--------------|--------------|
| Purpose Restrictions Accomplished: | | |
| Other Programs | \$ 133,667 | \$ - |
| Innovations | 256,636 | 315,130 |
| Housing and Finance | 76,730 | - |
| Philippines | 23,561 | 334,164 |
| Latin America | 207,847 | 244,220 |
| Haiti | 109,697 | 68,057 |
| Nepal | 25 | - |
| United States | 51 | - |
| Time Restrictions Expired: | | |
| Passage of Specified Time | 535,867 | 262,949 |
| Total Restrictions Released | \$ 1,344,081 | \$ 1,224,520 |

NOTE 5 CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the consolidated statements of activities are as follows for the years ended December 31:

| Nonfinancial Asset | 2022 Revenue Recognized | 2021 Revenue Recognized | Monetized or Utilized | Utilization in Function | Donor Restrictions | Valuation Technique |
|---------------------------|-------------------------------|-------------------------------|--------------------------|----------------------------|-----------------------|----------------------------------|
| Donated Materials | \$ 2,821 | \$ - | Utilized | Program Service | Yes | Market Value of Comparable Goods |
| Donated Software Licenses | - | 736,650 | Utilized | Program Service | Yes | Market Value of Comparable Goods |
| Total | \$ 2,821 | \$ 736,650 | | | | |

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. 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.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2023 is approximately \$14,238.

Rental expense related to operating leases was \$14,404 and \$28,358 for the years ended December 31, 2022 and 2021, respectively.

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the consolidated statements of financial position.

NOTE 7 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, 2022 and 2021 was \$38,735 and \$24,106, 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 8 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 \$38,044 and \$34,923 are uninsured and subject to credit risk and foreign currency risk as of December 31, 2022 and 2021, 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, 2022 and 2021, approximately 80% and 90%, respectively, of the Organization's receivables were due from two parties. For the years ended December 31, 2022 and 2021 approximately 70% and 30%, respectively, of the Organization's total revenue was concentrated with one party.

BUILD CHANGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 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 Small Business Administration (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.

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 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 March 6, 2021, at a 1% fixed interest rate. On January 14, 2022, the Organization was notified that the SBA approved full forgiveness for the entire amount of its PPP Loan. Accordingly, the Organization recognized \$195,700 of Paycheck Protection Program Loan Forgiveness revenue related to this agreement during the year ended December 31, 2022, which represents the entire amount of the PPP loan as management believes that all the related performance barriers have been met.

NOTE 10 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 11 LINE OF CREDIT

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 14.5%. At both December 31, 2022 and 2021, the Organization had \$-0- outstanding cash borrowing on the line of credit.

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NOTE 12 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, 2022 and 2021, payments were made to one board member totaling \$197,186 and \$195,625, respectively, for general and administrative services.

Contributions from board members during the years ended December 31, 2022 and 2021 totaled \$3,433 and \$38,221, respectively.

NOTE 13 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 for the year ended December 31, 2021. Payment for the ERC was received during the year ended December 31, 2021.

NOTE 14 SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 26, 2023, the date the consolidated financial statements were available to be issued and has determined there are no events requiring disclosure.



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