

FINANCIAL STATEMENTS



BUILDING MARKETS LTD.

**FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

BUILDING MARKETS LTD.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Building Markets Ltd.
New York, New York

We have audited the accompanying financial statements of Building Markets Ltd. (the Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.



August 27, 2021

BUILDING MARKETS LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

ASSETS

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 652,451 | \$ 420,733 |
| Subgrantee advances | 8,407 | 153,083 |
| Other accounts receivable | 5,700 | 8,149 |
| Prepaid expenses | <u>-</u> | <u>1,411</u> |
| Total current assets | <u>666,558</u> | <u>583,376</u> |
| PROPERTY AND EQUIPMENT | | |
| Furniture and fixtures | 1,510 | 1,510 |
| Computers and related equipment | <u>15,199</u> | <u>13,372</u> |
| | 16,709 | 14,882 |
| Less: Accumulated depreciation and amortization | <u>(11,503)</u> | <u>(10,129)</u> |
| Net property and equipment | <u>5,206</u> | <u>4,753</u> |
| NONCURRENT ASSETS | | |
| Security deposit | <u>35,383</u> | <u>26,655</u> |
| TOTAL ASSETS | <u>\$ 707,147</u> | <u>\$ 614,784</u> |

LIABILITIES AND NET ASSETS (DEFICIT)

| | | |
|---|--------------------------|--------------------------|
| CURRENT LIABILITIES | | |
| Due to related party | \$ - | \$ 47,076 |
| Accounts payable and accrued liabilities | 287,455 | 224,522 |
| Refundable advances | <u>389,283</u> | <u>451,705</u> |
| Total liabilities | <u>676,738</u> | <u>723,303</u> |
| NET ASSETS (DEFICIT) | | |
| Without donor restrictions (deficit) | <u>30,409</u> | <u>(108,519)</u> |
| TOTAL LIABILITIES AND NET ASSETS (DEFICIT) | <u>\$ 707,147</u> | <u>\$ 614,784</u> |

BUILDING MARKETS LTD.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>Without Donor Restrictions</u> | |
|--|-----------------------------------|----------------------------|
| | <u>2020</u> | <u>2019</u> |
| SUPPORT AND REVENUE | | |
| U.S. Government grants | \$ 2,621,941 | \$ 1,720,116 |
| Foundation grants | 518,385 | 869,052 |
| Foreign government grants | - | 114,631 |
| Other grants and contributions | 93,256 | 17,145 |
| In-kind contributions | 72,576 | 12,982 |
| Interest and other income (loss) | <u>14,384</u> | <u>(422)</u> |
| Total support and revenue | <u>3,320,542</u> | <u>2,733,504</u> |
| EXPENSES | | |
| Program Services | <u>2,588,810</u> | <u>2,293,285</u> |
| Supporting Services: | | |
| Management and General | 583,959 | 419,272 |
| Fundraising | <u>8,845</u> | <u>11,233</u> |
| Total supporting services | <u>592,804</u> | <u>430,505</u> |
| Total expenses | <u>3,181,614</u> | <u>2,723,790</u> |
| Change in net assets | 138,928 | 9,714 |
| Net deficit at beginning of year | <u>(108,519)</u> | <u>(118,233)</u> |
| NET ASSETS (DEFICIT) AT END OF YEAR | <u>\$ 30,409</u> | <u>\$ (108,519)</u> |

BUILDING MARKETS LTD.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Supporting Services | | | Total Supporting Services | Total Expenses |
|--------------------------------------|---------------------|---------------------------|-----------------|---------------------------------|---------------------|
| | Program Services | Management and General | Fundraising | | |
| Compensation and related expenses: | | | | | |
| Salaries and related expenses | \$ 318,591 | \$ 262,221 | \$ 5,867 | \$ 268,088 | \$ 586,679 |
| Payroll taxes and employee benefits | 262,575 | 32,259 | 2,978 | 35,237 | 297,812 |
| Subtotal | 581,166 | 294,480 | 8,845 | 303,325 | 884,491 |
| Outside contractors and consultants | 967,666 | 39,055 | - | 39,055 | 1,006,721 |
| Subgrants | 614,521 | - | - | - | 614,521 |
| Professional fees | 149,569 | 134,708 | - | 134,708 | 284,277 |
| Rent and utilities | 131,872 | 77,113 | - | 77,113 | 208,985 |
| Program supplies and other expenses | 82,566 | 13,501 | - | 13,501 | 96,067 |
| Travel, hotels and related expenses | 38,432 | 4,687 | - | 4,687 | 43,119 |
| Bank charges and processing fees | 11,680 | 2,799 | - | 2,799 | 14,479 |
| Office meetings and related expenses | 3,254 | 3,959 | - | 3,959 | 7,213 |
| Insurance | - | 5,983 | - | 5,983 | 5,983 |
| Office supplies and expenses | 3,493 | 1,873 | - | 1,873 | 5,366 |
| Telephone | 1,070 | 2,207 | - | 2,207 | 3,277 |
| Advertising and promotion | 1,270 | 1,578 | - | 1,578 | 2,848 |
| Printing, postage and delivery | 1,948 | 642 | - | 642 | 2,590 |
| Depreciation and amortization | - | 1,374 | - | 1,374 | 1,374 |
| Local transportation and vehicles | 303 | - | - | - | 303 |
| TOTAL | \$ 2,588,810 | \$ 583,959 | \$ 8,845 | \$ 592,804 | \$ 3,181,614 |

See accompanying notes to financial statements.

BUILDING MARKETS LTD.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Supporting Services | | | Total Supporting Services | Total Expenses |
|--------------------------------------|---------------------|---------------------------|------------------|---------------------------------|---------------------|
| | Program Services | Management and General | Fundraising | | |
| Compensation and related expenses: | | | | | |
| Salaries and related expenses | \$ 450,602 | \$ 168,595 | \$ 9,555 | \$ 178,150 | \$ 628,752 |
| Payroll taxes and employee benefits | 128,565 | 32,259 | 1,678 | 33,937 | 162,502 |
| Subtotal | 579,167 | 200,854 | 11,233 | 212,087 | 791,254 |
| Outside contractors and consultants | 439,790 | 6,202 | - | 6,202 | 445,992 |
| Subgrants | 815,432 | - | - | - | 815,432 |
| Professional fees | 29,427 | 90,661 | - | 90,661 | 120,088 |
| Rent and utilities | 89,463 | 92,423 | - | 92,423 | 181,886 |
| Program supplies and other expenses | 235,590 | - | - | - | 235,590 |
| Travel, hotels and related expenses | 80,109 | 7,618 | - | 7,618 | 87,727 |
| Bank charges and processing fees | 7,017 | 3,296 | - | 3,296 | 10,313 |
| Office meetings and related expenses | 5,854 | 3,092 | - | 3,092 | 8,946 |
| Insurance | - | 5,955 | - | 5,955 | 5,955 |
| Office supplies and expenses | 3,295 | 4,044 | - | 4,044 | 7,339 |
| Telephone | 927 | 1,277 | - | 1,277 | 2,204 |
| Advertising and promotion | 1,436 | 2,105 | - | 2,105 | 3,541 |
| Printing, postage and delivery | 5,628 | 160 | - | 160 | 5,788 |
| Depreciation and amortization | - | 1,585 | - | 1,585 | 1,585 |
| Local transportation and vehicles | 150 | - | - | - | 150 |
| TOTAL | \$ 2,293,285 | \$ 419,272 | \$ 11,233 | \$ 430,505 | \$ 2,723,790 |

See accompanying notes to financial statements.

BUILDING MARKETS LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 138,928 | \$ 9,714 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,374 | 1,585 |
| Decrease (increase) in: | | |
| Subgrantee advances | 144,676 | (153,083) |
| Other accounts receivable | 2,449 | (428) |
| Grants and contributions receivable | - | 196,939 |
| Prepaid expenses | 1,411 | (1,411) |
| Security deposit | (8,728) | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 62,933 | (147,925) |
| Refundable advances | (62,422) | 451,705 |
| Due to related party | (47,076) | - |
| Net cash provided by operating activities | <u>233,545</u> | <u>357,096</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of capital assets | <u>(1,827)</u> | <u>(4,870)</u> |
| Net cash used by investing activities | <u>(1,827)</u> | <u>(4,870)</u> |
| Net increase in cash and cash equivalents | 231,718 | 352,226 |
| Cash and cash equivalents at beginning of year | <u>420,733</u> | <u>68,507</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 652,451</u> | <u>\$ 420,733</u> |

BUILDING MARKETS LTD.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Building Markets Ltd. (the Organization) is a non-profit organization, incorporated in the State of New York in September 2008. The primary purpose of the Organization is to build markets, create jobs, and sustain peace in developing countries by championing local entrepreneurs and connecting them to new business opportunities. In addition to its main office in New York City, Building Markets Ltd. has staff located in Canada, as well as Turkey, Myanmar and Jordan. All activity and operations are included in the accompanying financial statements.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Subgrantee advances -

Subgrantee advances consist of amounts provided to subgrantees to execute project objectives. Project costs incurred by subgrantees are recorded in the accompanying financial statements when reported to the Organization; accordingly, advances are reduced and expenses are increased. Amounts not yet reimbursed by the Organization to its subgrantees as of fiscal year-end are recorded as subgrants payable.

BUILDING MARKETS LTD.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Other accounts receivable -

Other accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally Subgrantee advances to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. The Organization is not a private foundation.

Uncertain tax positions -

For the years ended June 30, 2020 and 2019, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

The majority of the Organization's revenue is received through awards from the U.S. Government, foreign governments, international organizations, foundations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received.

The Organization performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional.

BUILDING MARKETS LTD.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue recognition (continued) -

The Organization considers all awards from governments to be conditional assistance, and accordingly have been recognized in the accompanying financial statements as revenue (without donor restrictions) at such time when the conditions have been met.

Funds received (under conditional assistance awards) in advance of the incurrence of qualifying expenditures are recorded as refundable advances; total refundable advances recognized in the accompanying financial statements under conditional awards as of June 30, 2020 and 2019 aggregated \$389,283 and \$451,705, respectively. Additionally, during the year ended June 30, 2020 and 2019, the Organization received approximately \$568,221 and \$220,000 in conditional awards that have not been recognized in the accompanying financial statements, respectively.

In-kind contributions -

In-kind contributions consist of donated legal services. In-kind contributions are recorded at their fair value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organization's operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted.

BUILDING MARKETS LTD.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement not yet adopted (continued) -

The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. DUE TO DIRECTOR

As of June 30, 2019, the Organization was indebted to an officer of the Organization totaling \$47,076. The amount due the officer was unsecured and interest free. The balance due was repaid in full during November 2019.

3. LINE OF CREDIT

The Organization maintained a CAD 375,000 bank line of credit which was secured by the assets of the Organization. As of June 30, 2019, the Organization had not drawn on the line of credit; on July 1, 2019, the line of credit matured and was terminated.

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 652,451 | \$ 420,733 |
| Other receivables | <u>5,700</u> | <u>8,149</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | <u>\$ 658,151</u> | <u>\$ 428,882</u> |

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020 and 2019, the Organization has financial assets equal to approximately two months of operating expenses.

5. LEASE COMMITMENTS

The Organization leases office space under a six-year agreement that originated during February 2016. Base rent is \$70,200 per year, plus a proportionate share of expenses, increasing by a factor of 2.75% per year. The following is a schedule of the future minimum lease payments:

Year Ending June 30,

| | |
|------|--------------------------|
| 2021 | \$ 78,246 |
| 2022 | <u>80,398</u> |
| | <u>\$ 158,644</u> |

BUILDING MARKETS LTD.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

5. LEASE COMMITMENTS (Continued)

Rent expense under the aforementioned lease during the years ended June 30, 2020 and 2019 totaled \$77,113 and \$92,423, respectively. Additionally, the Organization leases facilities under short term agreements. The total rent expense under such leases during the years ended June 30, 2020 and 2019 aggregated \$163,479 and \$134,294, respectively.

6. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 27, 2021, the date the financial statements were issued.

On March 25, 2021, the Organization received a Paycheck Protection Program (PPP) loan of \$66,400. The loan calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. The loan is being treated as a conditional contribution and the refundable advance will be reduced and recognized as a contribution once the conditions of release have been substantially met or explicitly waived.