buildOn, Inc.

Financial Report

December 31, 2010

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
buildOn, Inc.
Stamford, Connecticut

We have audited the accompanying statements of financial position of buildOn, Inc. as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of buildOn, Inc.'s management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of buildOn, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

New York, New York
August 9, 2011

buildOn, Inc.

Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	**$ 2,026,261**	$ 1,605,822
Investments (Note 3)	**3,535,559**	3,277,156
Contributions Receivable, net (Note 4)	**901,917**	674,054
Other Current Assets	**6,941**	2,870
Prepaid Expenses	**43,758**	50,045
Equipment, net (Note 5)	**105,241**	74,599
Total assets	**$ 6,619,677**	$ 5,684,546
LIABILITIES AND UNRESTRICTED NET ASSETS		
Liabilities - accounts payable and accrued expenses	**$ 308,767**	$ 95,363
Net Assets:		
Unrestricted:		
Undesignated	**1,399,418**	2,335,127
Board-designated endowment (Note 6)	**3,533,502**	3,254,056
Total unrestricted net assets	**4,932,920**	5,589,183
Temporarily restricted (Note 7)	**1,377,990**	-
Total net assets	**6,310,910**	5,589,183
Total liabilities and net assets	**$ 6,619,677**	$ 5,684,546

See Notes to Financial Statements.

buildOn, Inc.

Statements of Activities
Years Ended December 31, 2010 and 2009

	2010			2009
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted Total
Operating Revenue:				
In-kind donations (Note 2)	**$ 675,665**	**$ -**	**$ 675,665**	$ 615,478
Special events, net of direct donor benefits of $335,471 in 2010 and $259,029 in 2009	**1,289,669**	**-**	**1,289,669**	1,158,746
Foundation and corporate contributions	**1,100,159**	**746,015**	**1,846,174**	1,537,219
Government grants	**102,919**	**145,895**	**248,814**	188,238
Contributed labor associated with site development (Note 2)	**231,119**	**-**	**231,119**	220,000
Individual contributions	**1,975,137**	**486,080**	**2,461,217**	2,639,284
Interest and other income	**13,922**	**-**	**13,922**	12,245
Total operating revenue	**5,388,590**	**1,377,990**	**6,766,580**	6,371,210
Operating Expenses:				
Program services (Note 2):				
Construction, including donated goods and services of $235,465 in 2010 and $156,881 in 2009	**1,881,846**	**-**	**1,881,846**	1,738,550
Contributed labor associated with site development	**231,119**	**-**	**231,119**	220,000
Cultural education, including donated goods and services of $368,310 in 2010 and $320,195 in 2009	**3,280,841**	**-**	**3,280,841**	3,072,553
International education	**43,375**	**-**	**43,375**	45,933
Total program services	**5,437,181**	**-**	**5,437,181**	5,077,036
Supporting services (Note 2):				
Fund-raising, including donated goods and services of $46,103 in 2010 and $52,342 in 2009	**559,957**	**-**	**559,957**	552,318
Management and general, including donated goods and services of $25,787 in 2010 and $86,060 in 2009	**206,791**	**-**	**206,791**	236,758
Total supporting services	**766,748**	**-**	**766,748**	789,076
Total operating expenses	**6,203,929**	**-**	**6,203,929**	5,866,112
(Decrease) increase in net assets from operations	**(815,339)**	**1,377,990**	**562,651**	505,098
Nonoperating Revenue and Expenses:				
Dividend income (Notes 3 and 6)	**48,604**	**-**	**48,604**	64,322
Net appreciation in fair value of investments (Notes 3 and 6)	**230,549**	**-**	**230,549**	627,665
Loss on disposal of fixed assets	**(1,377)**	**-**	**(1,377)**	-
Net foreign exchange (loss) gain	**(6,593)**	**-**	**(6,593)**	1,939
Bad debt expense	**(112,107)**	**-**	**(112,107)**	(56,902)
(Decrease) increase in net assets	**(656,263)**	**1,377,990**	**721,727**	1,142,122
Net Assets:				
Beginning	**5,589,183**	**-**	**5,589,183**	4,447,061
Ending	**$ 4,932,920**	**$ 1,377,990**	**$ 6,310,910**	$ 5,589,183

See Notes to Financial Statements.

buildOn, Inc.

Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Increase in net assets	**$ 721,727**	$ 1,142,122
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**22,236**	33,375
Donated securities	**(52,355)**	(38,196)
Net appreciation in fair value of investments	**(230,549)**	(627,665)
Bad debt provision	**112,107**	56,902
Changes in assets and liabilities:		
Increase in contributions receivable	**(339,970)**	(73,829)
Decrease (increase) in prepaid expenses	**6,287**	(6,770)
(Increase) decrease in other current assets	**(4,071)**	319
Increase (decrease) in accounts payable and accrued expenses	**213,404**	(44,667)
Net cash provided by operating activities	**448,816**	441,591
Cash Flows From Investing Activities:		
Purchase of investments	**(48,604)**	(64,322)
Proceeds from sale of investments	**73,105**	15,099
Purchase of fixed assets	**(55,679)**	(3,824)
Proceeds from sale of fixed assets	**2,801**	873
Net cash used in investing activities	**(28,377)**	(52,174)
Net increase in cash and cash equivalents	**420,439**	389,417
Cash and Cash Equivalents:		
Beginning	**1,605,822**	1,216,405
Ending	**$ 2,026,261**	$ 1,605,822

See Notes to Financial Statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Organization: buildOn, Inc. (the "Organization") is a not-for-profit corporation headquartered in Stamford, Connecticut. The Organization was established in 1991 with a defined mission to enhance education and empower youth in the U.S. to make a positive difference in their communities while helping people of developing countries increase their self-reliance through education.

In line with this mission, the Organization engages primarily urban youth through after-school programs and in their classrooms. The Organization integrates global education presentations into social studies classes, and through its after-school programs students contribute intensive community service while helping to build schools in developing countries around the world.

Over the past 17 years, the Organization has constructed and completed 384 schools, 46 of which were completed during 2010, in the following locations: Mali (158), Nepal (75), Nicaragua (61), Malawi (44), Bolivia (8), Haiti (20), India (3), Brazil (2), Senegal (12) and the United States (1). The majority of the Organization's revenues are generated by donations from individuals, corporations and foundations, which are used to aid in the construction of schoolhouses in remote villages around the world. Ownership of the schools is transferred to the local communities in which they are built upon the completion of construction.

Basis of Financial Statements: The accompanying financial statements have been prepared on an accrual basis of accounting and are presented in accordance with accounting requirements for not-for-profit organizations. These require that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows and that net assets be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor stipulations regarding the use of such assets.

The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets: These net assets represent resources over which the board of directors has discretionary control to use for operations, or which have been designated by the Organization's board of directors to function as an endowment. Such amounts are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets: Net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or the satisfaction of purpose restrictions are recorded in temporarily restricted net assets. When donor-imposed restrictions expire, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, donor-restricted support whose restrictions are met in the same reporting period are reported as unrestricted support.

Revenue Recognition: Contributions, including unconditional promises to give, are recognized in the statements of activities as revenue in the period in which they are expected to be received. This revenue is recorded net of any resulting direct donor benefit. Additionally, the Organization recognizes revenue and expenses associated with donated goods and services, which are discussed further in Note 2.

Cash and Cash Equivalents: Cash and cash equivalents consist of amounts held in various bank accounts and short-term securities with original maturities of less than three months.

Concentration of Market and Credit Risks: The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and investments.

The Organization maintains a majority of its cash in bank deposit and interest plus savings accounts with primarily two financial institutions, and balances in these accounts, at times, may exceed federally insured

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk associated with such accounts.

In order to control market risk, the Organization has an investment committee that oversees its investment portfolio and performs an ongoing evaluation of its investment manager. The Organization also routinely monitors the market risk of its investment portfolio via asset allocation formulas. Approximately 99% of the Organization's investments are held by one investment manager and custodian.

<u>Investments</u>: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Unrealized gains and losses resulting from the change in the market value of investments are included in the statements of activities.

Return on investments is reported as increases in unrestricted net assets unless the donor has explicitly stipulated that income earned is to be used for a specific purpose, in which case, investment income is reported as increases in temporarily restricted net assets.

<u>Fair Value Implementation</u>: The Organization applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis.

FASB ASC 820 sets out a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is defined as follows:

<u>Level 1</u>: Inputs that reflect unadjusted quoted market prices in active markets identical for assets or liabilities that the Organization has the ability to access at the measurement date.

<u>Level 2</u>: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

<u>Level 3</u>: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

<u>Contributions and Other Receivables</u>: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

<u>Equipment and Depreciation</u>: Equipment is stated at cost or, for donated equipment, at fair value at the date of the gift, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from two to seven years.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates: The preparation of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Internal Revenue Service (the "IRS") has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes. As a not-for-profit entity, the Organization is subject to unrelated business income tax (“UBIT”), if applicable. For the tax years ended December 31, 2010 and 2009, the Organization did not owe any UBIT.

Management has evaluated the Organization’s tax positions and has concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Generally, the Organization is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2007.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events: The Organization evaluated subsequent events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through August 9, 2011, the date the financial statements were available for issuance.

Note 2. Donated Goods and Services

Land contributed for site development is subsequently contributed back to the local community in which the school is constructed. Accordingly, such amounts are excluded from both revenues and expenses, as land is merely administered by the Organization to construct the school.

Donated services are recognized as contributions 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. Labor associated with site development (including school construction) is recognized in the statements of activities as revenue in the period received. Contributed labor was $231,119 and $220,000 for 2010 and 2009, respectively, and is included as both operating revenue and operating expenses within the statements of activities. All in-kind donations are recorded at their fair value at the time the donation is made.

The Organization occupies donated office space and facilities valued at $483,720 and $453,899 for 2010 and 2009, respectively. These donations have been reported in operating revenue as in-kind donations and in operating expenses as donated goods and services, and are allocated to the program and supporting services benefited. The Organization also received $191,945 and $161,579 for 2010 and 2009, respectively, in donated accounting services, airfare, printing and other goods and services. These contributions have similarly been reported as in-kind donations and included in operating expenses as donated goods and services. These donations were recorded at fair value for 2010 and 2009.

Note 3. Investments and Fair Value Measurements

The following table summarizes the Organization's investments measured at fair value on a recurring basis segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2010:

		Fair Value Measurements Using		
Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual Funds:				
GE U.S. equity	**$ 1,966,567**	**$ 1,966,567**	**$ -**	**$ -**
GE fixed income	**778,780**	**778,780**	**-**	**-**
GE international equity	**560,875**	**560,875**	**-**	**-**
GE small-cap value equity	**227,279**	**227,279**	**-**	**-**
Common stock	**2,058**	**2,058**	**-**	**-**
Total	**$ 3,535,559**	**$ 3,535,559**	**$ -**	**$ -**

The following table summarizes the Organization's investments measured at fair value on a recurring basis segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2009:

		Fair Value Measurements Using		
Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
GE U.S. equity	$ 1,809,572	$ 1,809,572	$ -	$ -
GE fixed income	507,347	507,347	-	-
GE international equity	764,039	764,039	-	-
GE small-cap value equity	173,098	173,098	-	-
Common stock	23,100	23,100	-	-
Total	$ 3,277,156	$ 3,277,156	$ -	$ -

The investments consist of mutual funds. The Organization's dividend income of $48,604 and $64,322 for 2010 and 2009, respectively, was comprised of dividends received on mutual funds and is reported as nonoperating revenue within the statements of activities. The net appreciation in fair value of investments, which consists of net realized (losses) gains of $(293) in 2010 and $3 in 2009 and net unrealized gains of $230,842 in 2010 and $627,662 in 2009, is reported as nonoperating revenue. The remaining other income, comprised of bank interest and other miscellaneous income, is included on the statements of activities within interest and other income.

Note 3. Investments and Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by the Organization to measure different financial instruments at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Investments in mutual funds are valued based on the last reported bid price provided by broker-dealers.

Note 4. Contributions Receivable

At December 31, 2010 and 2009, contributions receivable, which consist of unconditional promises (pledges) to give cash or other assets, are expected to be collected within the next fiscal year, net of an allowance for uncollectible receivables of $53,000 and $28,000 at December 31, 2010 and 2009, respectively.

Note 5. Equipment

The Organization’s equipment at December 31, 2010 and 2009 is summarized as follows:

	2010	2009
Vehicles	**$ 155,725**	$ 121,460
Computers and other equipment	**20,391**	8,495
Accounting software	**15,961**	13,088
Total equipment, at cost	**192,077**	143,043
Less accumulated depreciation	**(86,836)**	(68,444)
	$ 105,241	$ 74,599

Note 6. Board-Designated Endowment

The Organization has no donor-restricted endowment funds. The Organization’s endowment consists of one board-designated endowment fund established to provide for the long-term stability of the Organization as designated by the board of directors to function as an endowment.

Note 6. Board-Designated Endowment (Continued)

The following represents the Organization's board-designated endowment fund and the changes in the board-designated endowment fund as of and for the years ended December 31, 2010 and 2009:

	2010	2009
Board-designated endowment net assets, January 1	**$ 3,254,056**	$ 2,562,072
Dividend income	**48,604**	64,322
Net appreciation in fair value of investments*	**230,842**	627,662
Board-designated endowment net assets, December 31	**$ 3,533,502**	$ 3,254,056

* Net appreciation in fair market value of investments consists of net unrealized gains of $230,842 in 2010 and $627,662 in 2009, and net realized (losses) gains of ($293) in 2010 and $3 in 2009, which are unrelated to the investments in the Organization's board-designated endowment fund. Refer to Note 3 for further discussion.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following as of December 31, 2010:

Building schools in developing countries	$ 754,000
After-school programs	623,990
	$ 1,377,990