BUILDON, INC.

(Formerly, Building With Books, Inc.)

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

17169STM

KPMG LLP
Stamford Square
3001 Summer Street
Stamford, CT 06905

Independent Auditors' Report

The Board of Directors
BuildOn, Inc.:

We have audited the accompanying statements of financial position of BuildOn, Inc. (formerly, Building With Books, Inc.) as of December 31, 2008 and 2007 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BuildOn, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Stamford, Connecticut
November 23, 2009

BUILDON, INC.
(Formerly, Building With Books, Inc.)

Statements of Financial Position

December 31, 2008 and 2007

Assets		**2008**	**2007**
Cash and cash equivalents	$	1,216,405	1,479,037
Investments (note 3)		2,562,072	3,876,857
Contributions receivable, net (note 4)		657,127	358,020
Other current assets		3,189	6,631
Prepaid expenses		43,275	43,869
Equipment, net of accumulated depreciation of $39,436 in 2008 and $15,600 in 2007 (note 5)		105,023	58,495
Total assets	$	4,587,091	5,822,909
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	140,030	109,905
Net assets – unrestricted:			
Undesignated		1,884,989	1,836,147
Board designated endowment (note 6)		2,562,072	3,876,857
Total unrestricted net assets		4,447,061	5,713,004
Total liabilities and net assets	$	4,587,091	5,822,909

See accompanying notes to financial statements.

BUILDON, INC.
(Formerly, Building With Books, Inc.)

Statements of Activities

Years ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	**Temporarily restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Total**
Operating revenue:						
In kind donations (note 2)	$ 589,838	—	589,838	542,747	—	542,747
Special events net of direct donor benefits of $211,903 in 2008 and $202,533 in 2007	1,124,187	—	1,124,187	1,242,363	—	1,242,363
Foundation and corporate contributions	2,554,297	—	2,554,297	1,585,976	—	1,585,976
Government contributions	187,150	—	187,150	280,000	—	280,000
Contributed labor associated with site development (note 2)	290,000	—	290,000	245,000	—	245,000
Individual contributions	1,603,425	115,913	1,719,338	1,640,644	75,985	1,716,629
Provision for uncollectible receivables	—	—	—	(28,000)	—	(28,000)
Other income (note 3)	15,320	—	15,320	49,242	—	49,242
Net assets released from restrictions	115,913	(115,913)	—	75,985	(75,985)	—
Total operating revenue	6,480,130	—	6,480,130	5,633,957	—	5,633,957
Operating expenses:						
Program services (note 2):						
Construction, including donated goods and services of $85,753 in 2007 and $39,706 in 2007	2,136,187	—	2,136,187	1,711,230	—	1,711,230
Contributed labor associated with site development	290,000	—	290,000	245,000	—	245,000
Cultural education, including donated goods and services of $311,806 in 2008 and $272,300 in 2007	3,165,669	—	3,165,669	2,652,513	—	2,652,513
International education	46,741	—	46,741	54,183	—	54,183
Total program services	5,638,597	—	5,638,597	4,662,926	—	4,662,926
Supporting services (note 2):						
Fundraising, including donated goods and services of $118,936 in 2008 and $123,934 in 2007	576,910	—	576,910	457,225	—	457,225
Management and general, including donated goods and services of $73,343 in 2008 and $106,807 in 2007	209,517	—	209,517	253,395	—	253,395
Total supporting services	786,427	—	786,427	710,620	—	710,620
Total operating expenses	6,425,024	—	6,425,024	5,373,546	—	5,373,546
Increase in net assets from operations	55,106	—	55,106	260,411	—	260,411
Nonoperating revenue:						
Investment income (note 3)	191,941	—	191,941	383,988	—	383,988
Net depreciation in fair value of investments (note 3)	(1,508,249)	—	(1,508,249)	(42,759)	—	(42,759)
Net foreign exchange loss	(4,741)	—	(4,741)	—	—	—
(Decrease) increase in net assets	(1,265,943)	—	(1,265,943)	601,640	—	601,640
Net assets, beginning of year	5,713,004	—	5,713,004	5,111,364	—	5,111,364
Net assets, end of year	$ 4,447,061	—	4,447,061	5,713,004	—	5,713,004

See accompanying notes to financial statements.

BUILDON, INC.
(Formerly, Building With Books, Inc.)

Statements of Cash Flows

Years ended December 31, 2008 and 2007

		2008	2007
Cash flow from operating activities:			
(Decrease) increase in net assets	$	(1,265,943)	601,640
Adjustment to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:			
Depreciation		30,935	12,061
Contributions of investments		(17,262)	(17,287)
Net depreciation in fair value of investments		1,508,249	42,759
Changes in assets and liabilities:			
Contributions receivable		(299,107)	96,324
Prepaid expenses		594	6,097
Other current assets		3,442	(2,229)
Accounts payable and accrued expenses		30,125	33,997
Net cash (used in) provided by operating activities		(8,967)	773,362
Cash flows from investing activities:			
Purchase of investments		(191,941)	(1,883,988)
Proceeds from sale of investments		15,739	17,481
Purchase of fixed assets		(77,463)	(41,659)
Net cash used in investing activities		(253,665)	(1,908,166)
Decrease in cash and cash equivalents		(262,632)	(1,134,804)
Cash and cash equivalents, beginning of the year		1,479,037	2,613,841
Cash and cash equivalents, end of the year	$	1,216,405	1,479,037

See accompanying notes to financial statements.

(1) Summary of Accounting Policies

(a) Organization

BuildOn, Inc. (formerly, Building With Books, Inc.) (the Organization), headquartered in Stamford, Connecticut, is a not-for-profit corporation exempt from taxation under Internal Revenue Code Section 501(c)(3). 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 fifteen years the Organization has constructed and completed 291 schools, forty eight of which were completed during 2008, in the following locations: Mali (129), Nepal (64), Nicaragua (36), Malawi (27), Bolivia (8), Haiti (10), India (3), Brazil (2), Senegal (11) and the United States (1). The majority of the Organization’s revenues are generated by donations, both individual and corporate, 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.

BuildOn receives donations from a diverse group of supporters, including individuals, corporations and foundations.

(b) Basis of Financial Statements

The accompanying financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

We have reclassified certain prior year amounts to conform to the current year presentation.

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 to function as endowment. Such amounts are not subject to donor-imposed restriction.

Temporarily restricted net assets – Net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or when the stipulations have been fulfilled. 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.

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(c) Recently Issued Accounting Standards

On August 6, 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. This FSP also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not subject to an enacted version of UPMIFA. Although the Organization has no donor restricted endowment funds, the board has designated certain unrestricted net assets for long term investments. Accordingly, the Organization has adopted the disclosure requirements of FSP FAS 117-1.

(d) Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the statements of activities as revenues in the period in which they are received. These revenues are recorded net of any resulting direct donor benefit. Additionally, the Organization recognizes revenues and expenses associated with donated goods and services, which are discussed further in note 2.

(e) 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.

(f) Investments

Investments are reported at fair value, based on quoted market prices.

(g) Equipment and Depreciation

Equipment is stated at cost or, for donated equipment, 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.

(h) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) 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.

(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. Labor associated with site development (including school construction), however, is recognized in the statements of activities as revenue in the period received. Contributed labor was $290,000 and $245,000 for 2008 and 2007, 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 market value at the time the donation is made.

The Organization occupies donated office space and facilities valued at $396,992 and $401,530, for 2008 and 2007, 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 $192,846 and $141,217 for 2008 and 2007, 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.

(3) Investments

The following summarizes the Organization's investments held at December 31:

	2008		2007	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Equity securities	$ 3,921,581	2,562,072	3,729,640	3,876,857

The investments consist of mutual funds. The Organization's investment income of $191,941 and $383,988 for 2008 and 2007, respectively, was comprised of dividends received on mutual funds and is reported as nonoperating revenue within the statements of activities. The net depreciation in fair value of investments, which consisted of net realized (losses) gains of $(1,523) in 2008 and $190 in 2007 and net unrealized (losses) of $(1,506,726) in 2008 and $(42,949) in 2007, is reported as nonoperating revenue. The remaining other income, comprised of bank interest and other miscellaneous income, is included on the statements of activities as other income.

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Effective January 1, 2008, the Organization adopted Statement of Financial Accounting Standards 157, *Fair Value Measurements* (SFAS 157) for all financial and nonfinancial instruments accounted for at fair value on a recurring basis. SFAS 157 establishes a new framework for measuring fair value and expanded related disclosures. Observable inputs into fair market value determination reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in an active market; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

As the Organization's investments are comprised entirely of equity securities which are publicly traded in an active market, we use quoted market prices to determine fair value of investment securities, and they are included in the Level 1 hierarchy under SFAS 157.

(4) Contributions Receivable

At December 31, 2008 and 2007, 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 $28,000 at December 31, 2008 and 2007.

(5) Equipment

The Organization's fixed assets at December 31, 2008 and 2007 are summarized as follows:

		2008	2007
Vehicles	$	118,272	51,731
Computers and other equipment		8,495	4,672
Other fixed assets		17,692	17,692
Total equipment at cost		144,459	74,095
Less accumulated depreciation		(39,436)	(15,600)
Equipment, net of accumulated depreciation	$	105,023	58,495

(6) Net Assets

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 endowment.

The following represents the Organization's board-designated endowment fund and the changes in the board designated endowment fund for the year ended December 31, 2008:

		Unrestricted
Endowment net assets, January 1, 2008	$	3,876,857
Investment income, net		191,941
Net depreciation in fair value of investments[a]		(1,506,726)
Contributions		—
Endowment net assets, December 31, 2008	$	2,562,072

[a] Net depreciation in fair market value of investments consists of net unrealized losses of ($1,506,726) in 2008, and net realized losses of ($1,523) in 2008, which were unrelated to the investments in the Organization's board-designated endowment fund. Refer to note 3 for further discussion.

The Organization's investment objective is the highest total return consistent with prudent investment management and the preservation of capital.