buildOn, Inc.

Financial Report

December 31, 2009

Contents

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

1185 Avenue of the Americas
New York, NY 10036
O 212.372.1000 F 212.372.1001
www.mcgladrey.com

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of buildOn, Inc. (formerly Building with Books, Inc.) as of December 31, 2009, and the related statements of activities and cash flows for the year 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 audit. The financial statements of buildOn, Inc. for the year ended December 31, 2008, were audited by other auditors whose report, dated November 23, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

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

McGladrey & Pullen, LLP

New York, New York
January 21, 2011

McGladrey is the brand under which RSM McGladrey, Inc. and McGladrey & Pullen, LLP serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure.

Member of RSM International network, a network of independent accounting, tax and consulting firms.

buildOn, Inc.

Statements of Financial Position
December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and Cash Equivalents	**$ 1,605,822**	$ 1,216,405
Investments (Note 3)	**3,277,156**	2,562,072
Contributions Receivable, net (Note 4)	**674,054**	657,127
Other Current Assets	**2,870**	3,189
Prepaid Expenses	**50,045**	43,275
Equipment, net (Note 5)	**74,599**	105,023
Total assets	**$ 5,684,546**	$ 4,587,091
LIABILITIES AND UNRESTRICTED NET ASSETS		
Liabilities - accounts payable and accrued expenses	**$ 95,363**	$ 140,030
Unrestricted Net Assets:		
Undesignated	**2,335,127**	1,884,989
Board-designated endowment (Note 6)	**3,254,056**	2,562,072
Total unrestricted net assets	**5,589,183**	4,447,061
Total liabilities and unrestricted net assets	**$ 5,684,546**	$ 4,587,091

See Notes to Financial Statements.

buildOn, Inc.

Statements of Activities
Years Ended December 31, 2009 and 2008

	2009	2008		
	Unrestricted	Unrestricted	Temporarily restricted	Total
Operating Revenue:				
In-kind donations (Note 2)	**$ 615,478**	$ 589,838	$ -	$ 589,838
Special events, net of direct donor benefits of $259,029 in 2009 and $211,903 in 2008	**1,158,746**	1,124,187	-	1,124,187
Foundation and corporate contributions	**1,537,219**	2,554,297	-	2,554,297
Government grants	**188,238**	187,150	-	187,150
Contributed labor associated with site development (Note 2)	**220,000**	290,000	-	290,000
Individual contributions	**2,639,284**	1,603,425	115,913	1,719,338
Interest and other income	**12,245**	15,320	-	15,320
Net assets released from restrictions (Note 7)	**-**	115,913	(115,913)	-
Total operating revenue	**6,371,210**	6,480,130	-	6,480,130
Operating Expenses:				
Program services (Note 2):				
Construction, including donated goods and services of $156,881 in 2009 and $85,753 in 2008	**1,738,550**	2,136,187	-	2,136,187
Contributed labor associated with site development	**220,000**	290,000	-	290,000
Cultural education, including donated goods and services of $320,195 in 2009 and $311,806 in 2008	**3,072,553**	3,165,669	-	3,165,669
International education	**45,933**	46,741	-	46,741
Total program services	**5,077,036**	5,638,597	-	5,638,597
Supporting Services (Note 2):				
Fund-raising, including donated goods and services of $52,342 in 2009 and $118,936 in 2008	**552,318**	576,910	-	576,910
Management and general, including donated goods and services of $86,060 in 2009 and $73,343 in 2008	**236,758**	209,517	-	209,517
Total supporting services	**789,076**	786,427	-	786,427
Total operating expenses	**5,866,112**	6,425,024	-	6,425,024
Increase in Net Assets From Operations	**505,098**	55,106	-	55,106
Nonoperating Revenue and Expenses:				
Investment income (Notes 3 and 6))	**64,322**	191,941	-	191,941
Net appreciation (depreciation) in fair value of investments (Notes 3 and 6)	**627,665**	(1,508,249)	-	(1,508,249)
Net foreign exchange gain (loss)	**1,939**	(4,741)	-	(4,741)
Bad debt expense	**(56,902)**	-	-	-
Increase (decrease) in net assets	**1,142,122**	(1,265,943)	-	(1,265,943)
Net Assets:				
Beginning	**4,447,061**	5,713,004	-	5,713,004
Ending	**$ 5,589,183**	$ 4,447,061	$ -	$ 4,447,061

See Notes to Financial Statements.

buildOn, Inc.

Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	**$ 1,142,122**	$ (1,265,943)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	**33,375**	30,935
Donated securities	**(38,196)**	(17,262)
Net (depreciation) appreciation in fair value of investments	**(627,665)**	1,508,249
Bad debt provision	**56,902**	-
Changes in assets and liabilities:		
Increase in contributions receivable	**(73,829)**	(299,107)
(Increase) decrease in prepaid expenses	**(6,770)**	594
Decrease in other current assets	**319**	3,442
(Decrease) increase in accounts payable and accrued expenses	**(44,667)**	30,125
Net cash provided by (used in) operating activities	**441,591**	(8,967)
Cash Flows From Investing Activities:		
Purchase of investments	**(64,322)**	(191,941)
Proceeds from sale of investments	**15,099**	15,739
Purchase of fixed assets	**(3,824)**	(77,463)
Proceeds from sale of fixed assets	**873**	-
Net cash used in investing activities	**(52,174)**	(253,665)
Increase (decrease) in cash and cash equivalents	**389,417**	(262,632)
Cash and Cash Equivalents:		
Beginning	**1,216,405**	1,479,037
Ending	**$ 1,605,822**	$ 1,216,405

See Notes to Financial Statements.

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

Organization: buildOn, Inc. (the "Organization"), headquartered in Stamford, Connecticut, is a not-for-profit corporation exempt from taxation under Internal Revenue Code (the "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 16 years, the Organization has constructed and completed 338 schools, 47 of which were completed during 2009, in the following locations: Mali (145), Nepal (68), Nicaragua (49), Malawi (36), Bolivia (8), Haiti (14), 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 requirements provide 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 are 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 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 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.

Investments: 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.

Fair Value Implementation: 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:

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

Level 2: 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.

Level 3: 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.

Contributions and Other Receivables: 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. As of December 31, 2009 and 2008, all contributions receivable are due within approximately one year. Accordingly, an allowance for doubtful contributions of $28,000 has been provided in the accompanying financial statements as of December 31, 2009 and 2008, respectively.

Equipment and Depreciation: 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 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 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.

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 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, 2009 and 2008, the Organization did not owe any UBIT.

On January 1, 2009, the Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2006, which is the standard statute of limitations look-back period.

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.

Evaluation of Subsequent Events: The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are issued, which was January 21, 2011 for these financial statements.

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. 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 $220,000 and $290,000 for 2009 and 2008, 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 $453,899 and $396,992, for 2009 and 2008, 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 $161,580 and $192,846 for 2009 and 2008, 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 2009 and 2008.

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, 2009:

		Fair Value Measurements Using		
Description	**Fair Value**	**Quoted 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 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, 2008:

		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	$ 1,368,895	$ 1,368,895	$ -	$ -
GE fixed income	471,807	471,807	-	-
GE international equity	588,823	588,823	-	-
GE small-cap value equity	132,547	132,547	-	-
Total	$ 2,562,072	$ 2,562,072	$ -	$ -

The investments consist of mutual funds. The Organization's investment income of $64,322 and $191,941 for 2009 and 2008, respectively, was comprised of dividends received on mutual funds and is reported as non-operating revenue within the statements of activities. The net appreciation (depreciation) in fair value of investments, which consists of net realized gains (losses) of $3 in 2009 and $(1,523) in 2008 and net unrealized gains (losses) of $627,662 in 2009 and $(1,506,726) in 2008, 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.

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, 2009 and 2008.

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, 2009 and 2008, 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, 2009 and 2008.

Note 5. Equipment

The Organization’s equipment at December 31, 2009 and 2008 is summarized as follows:

	2009	2008
Vehicles	**$ 121,460**	$ 118,272
Computers and other equipment	**8,495**	8,495
Accounting software	**13,088**	17,692
Total equipment at cost	**143,043**	144,459
Less accumulated depreciation	**(68,444)**	(39,436)
	$ 74,599	$ 105,023

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, 2009 and 2008:

	2009	2008
Board-designated endowment net assets, January 1	$ 2,562,072	$ 3,876,857
Investment income, net	64,322	191,941
Net appreciation (depreciation) in fair value of investments*	627,662	(1,506,726)
Board-designated endowment net assets, December 31	$ 3,254,056	$ 2,562,072

* Net appreciation in fair market value of investments consists of net unrealized gains (losses) of $627,662 in 2009 and $(1,506,726) in 2008, and net realized gains (losses) of $3 in 2009 and $(1,523) in 2008, which is 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

During the year ended December 31, 2008, net assets were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes or by occurrence of other events specified by donors:

	2009	2008
Building schools in developing countries	$ -	$ 115,913