

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2011**

**BUILDON, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of buildOn, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. 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 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from the Organization's 2011 financial statements, which were audited by other auditors and, in their report dated July 12, 2012, they expressed an unmodified opinion on those statements.

*Gelman Rosenberg & Freedman*

Bethesda, Maryland  
September 10, 2013

## BUILDON, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,593,877	\$ 1,728,508
Investments (Notes 2 and 5)	4,395,965	3,866,174
Grants receivable, net of allowance of \$131,285 in 2012 and \$45,000 in 2011	1,421,723	1,049,962
Prepaid expenses	59,938	53,806
Other current assets	<u>43,336</u>	<u>17,654</u>
Total current assets	<u>7,514,839</u>	<u>6,716,104</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computers and related equipment	101,750	74,421
Vehicles	275,818	275,818
Other	<u>2,872</u>	<u>2,872</u>
	380,440	353,111
Less: Accumulated depreciation and amortization	<u>(183,784)</u>	<u>(109,903)</u>
Net property and equipment	<u>196,656</u>	<u>243,208</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,711,495</u></b>	<b><u>\$ 6,959,312</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ <u>496,185</u>	\$ <u>358,175</u>
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**NET ASSETS**

Unrestricted	4,730,014	5,050,739
Temporarily restricted (Note 3)	<u>2,485,296</u>	<u>1,550,398</u>
Total net assets	<u>7,215,310</u>	<u>6,601,137</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,711,495</u></b>	<b><u>\$ 6,959,312</u></b>

## BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Foundations and corporations	\$ 896,062	\$ 2,032,401	\$ 2,928,463	\$ 2,189,507
Individuals	1,145,367	2,356,108	3,501,475	2,761,808
Government grants	306,298	69,477	375,775	377,496
Special events, net of direct donor benefits of \$518,561 in 2012 and \$418,530 in 2011	1,530,515	11,500	1,542,015	1,772,843
In-kind contributions	972,838	-	972,838	1,326,092
Interest	6,295	-	6,295	12,831
Net assets released from donor restrictions (Note 3)	<u>3,534,588</u>	<u>(3,534,588)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,391,963</u>	<u>934,898</u>	<u>9,326,861</u>	<u>8,440,577</u>
<b>EXPENSES</b>				
Program services:				
International Building Schools, including donated goods and services of \$572,105 in 2012 and \$296,769 in 2011	3,576,798	-	3,576,798	2,779,584
U.S. After-School, including donated goods and services of \$263,008 in 2012 and \$511,328 in 2011	4,210,107	-	4,210,107	3,986,774
International Adult Literacy	<u>55,716</u>	<u>-</u>	<u>55,716</u>	<u>52,296</u>
Total program services	<u>7,842,621</u>	<u>-</u>	<u>7,842,621</u>	<u>6,818,654</u>
Supporting services:				
Management and General, including donated goods and services of \$83,478 in 2012 and \$63,544 in 2011	360,967	-	360,967	403,594
Fundraising, including donated goods and services of \$54,247 in 2012 and \$159,473 in 2011	<u>881,888</u>	<u>-</u>	<u>881,888</u>	<u>785,000</u>
Total supporting services	<u>1,242,855</u>	<u>-</u>	<u>1,242,855</u>	<u>1,188,594</u>
Total expenses	<u>9,085,476</u>	<u>-</u>	<u>9,085,476</u>	<u>8,007,248</u>
Change in net assets before other items	<u>(693,513)</u>	<u>934,898</u>	<u>241,385</u>	<u>433,329</u>
<b>OTHER ITEMS</b>				
Dividends	138,624	-	138,624	60,827
Realized gain (loss) on sales of investments	1,629	-	1,629	(1,699)
Unrealized gain (loss) on investments	390,914	-	390,914	(128,155)
Net foreign exchange loss	(1,938)	-	(1,938)	(4,998)
Bad debts	<u>(156,441)</u>	<u>-</u>	<u>(156,441)</u>	<u>(69,077)</u>
Total other items	<u>372,788</u>	<u>-</u>	<u>372,788</u>	<u>(143,102)</u>
Change in net assets	(320,725)	934,898	614,173	290,227
Net assets at beginning of year	<u>5,050,739</u>	<u>1,550,398</u>	<u>6,601,137</u>	<u>6,310,910</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 4,730,014</u></b>	<b><u>\$ 2,485,296</u></b>	<b><u>\$ 7,215,310</u></b>	<b><u>\$ 6,601,137</u></b>

See accompanying notes to financial statements.

## BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012						2011		
	Program Services			Supporting Services			Total Expenses	Total Expenses	
	International	International	Total	Management	Total	Total			
	Building Schools	U.S. After- School	Adult Literacy	Program Services	and General	Fundraising	Supporting Services	Expenses	Expenses
Salaries and wages	\$ 951,064	\$ 2,514,911	\$ -	\$ 3,465,975	\$ 137,723	\$ 517,102	\$ 654,825	\$ 4,120,800	\$ 3,525,038
Payroll taxes and benefits	155,815	649,422	-	805,237	26,944	95,993	122,937	928,174	809,658
Total salaries and benefits	1,106,879	3,164,333	-	4,271,212	164,667	613,095	777,762	5,048,974	4,334,696
Construction	1,280,453	-	-	1,280,453	-	-	-	1,280,453	1,008,830
Contractor fees	477,118	113,742	573	591,433	-	18,598	18,598	610,031	630,466
Professional fees	909	-	-	909	93,786	118	93,904	94,813	177,554
Occupancy	117,721	263,008	-	380,729	14,587	54,257	68,844	449,573	470,362
Conference and meetings	1,920	189,500	31,116	222,536	5,538	24,891	30,429	252,965	241,364
Travel	449,183	363,103	10,301	822,587	1,229	46,927	48,156	870,743	759,490
Insurance	176	39,047	-	39,223	46,887	-	46,887	86,110	84,583
Postage	591	2,463	-	3,054	242	14,613	14,855	17,909	13,788
Printing and publications	1,967	11,140	-	13,107	-	24,516	24,516	37,623	34,961
Repairs and maintenance	30,290	9,493	906	40,689	62	2,566	2,628	43,317	46,436
Supplies	11,761	5,545	-	17,306	1,283	2,974	4,257	21,563	22,235
Telephone and communications	13,946	20,166	1,333	35,445	7,213	2,134	9,347	44,792	43,324
Stipends	-	7,800	11,457	19,257	-	-	-	19,257	39,213
Depreciation	69,133	-	-	69,133	4,748	-	4,748	73,881	23,067
Miscellaneous	14,751	20,767	30	35,548	20,725	77,199	97,924	133,472	76,879
Total expenses	3,576,798	4,210,107	55,716	7,842,621	360,967	881,888	1,242,855	9,085,476	8,007,248
Direct cost of donor benefit	-	-	-	-	-	518,561	518,561	518,561	418,530
Bad debts	-	-	-	-	156,441	-	156,441	156,441	69,077
<b>TOTAL</b>	<b>\$ 3,576,798</b>	<b>\$ 4,210,107</b>	<b>\$ 55,716</b>	<b>\$ 7,842,621</b>	<b>\$ 517,408</b>	<b>\$ 1,400,449</b>	<b>\$ 1,917,857</b>	<b>\$ 9,760,478</b>	<b>\$ 8,494,855</b>

See accompanying notes to financial statements.

## BUILDON, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 614,173	\$ 290,227
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	73,881	23,067
Realized (gain) loss on sales of investments	(1,629)	1,699
Unrealized (gain) loss on investments	(390,914)	128,155
Stock donations	(119,064)	-
Change in allowance for bad debt	86,285	(8,000)
(Increase) decrease in:		
Grants receivable	(458,046)	(140,045)
Prepaid expenses	(6,132)	(10,048)
Other current assets	(25,682)	(10,713)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>138,010</u>	<u>49,408</u>
Net cash (used) provided by operating activities	<u>(89,118)</u>	<u>323,750</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(27,329)	(161,034)
Purchases of investments	(138,611)	(460,827)
Proceeds from sales of investments	<u>120,427</u>	<u>358</u>
Net cash used by investing activities	<u>(45,513)</u>	<u>(621,503)</u>
Net decrease in cash and cash equivalents	(134,631)	(297,753)
Cash and cash equivalents at beginning of year	<u>1,728,508</u>	<u>2,026,261</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,593,877</u></b>	<b><u>\$ 1,728,508</u></b>

See accompanying notes to financial statements.



## BUILDON, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

buildOn, Inc. (the Organization) is a not-for-profit corporation headquartered in Stamford, Connecticut. The Organization was established in 1991, and its mission is to break the cycle of poverty, illiteracy and low expectations through service and 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 21 years, the Organization has constructed and completed 516 schools, 72 of which were completed during 2012, in the following locations: Mali (186), Nepal (93), Nicaragua (91), Malawi (72), Bolivia (8), Haiti (44), India (3), Brazil (2), Senegal (16) 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 presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

##### 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.

At times during the year, the Organization maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). The Organization maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in "Other items" in the Statement of Activities and Change in Net Assets.

Grants receivable -

Grants receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

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 3 to 5 years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2012 totaled \$73,881.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2012, the Organization has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

In-kind contributions consist of donated services, office space and facilities. 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 revenue and expenses, as land is administered by the Organization solely 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 Statement of Activities and Change in Net Assets as support in the period received. Contributed labor totaled \$315,056, and is included as both revenue and expense in the accompanying Statement of Activities and Change in Net Assets. All in-kind donations are recorded at their fair value at the time the donation is made.

The Organization occupies office space and facilities at no cost, and valued at \$408,475; these donations have been reported in revenue as in-kind donations and as donated goods and service expense, and are allocated to the program and supporting services benefited. The Organization also received \$249,307 in donated legal services, construction materials and other goods and services; these contributions have similarly been reported as in-kind donations and included in donated goods and service expense. All donations are recorded at fair value.

In addition, volunteers have donated significant amounts of their time to the Organization; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2012:

	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 252	\$ 252
Mutual funds	<u>4,633,959</u>	<u>4,395,713</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 4,634,211</u></b>	<b><u>\$ 4,395,965</u></b>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012:

International Building Schools	\$ 1,753,646
U.S. After-School	<u>731,650</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 2,485,296</u></b>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

International Building Schools	\$ 2,301,862
U.S. After-School	<u>1,232,726</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 3,534,588</u></b>

4. RETIREMENT PLAN

The Organization provides retirement benefits to its full-time employees through a plan under IRS Section 403(b) of the Internal Revenue Code.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**4. RETIREMENT PLAN (Continued)**

The Organization contributes 100% of all employee contributions up to \$1,200. Contributions to the plan during the year ended December 31, 2012 totaled \$45,119.

**5. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Organization's investments as of December 31, 2012:

	Level 1	Level 2	Level 3	Total December 31, 2012
<b>Asset Class:</b>				
Equities	\$ 252	\$ -	\$ -	\$ 252
Mutual funds	<u>4,395,713</u>	<u>-</u>	<u>-</u>	<u>4,395,713</u>
<b>TOTAL</b>	<b><u>\$4,395,965</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,395,965</u></b>

**6. BOARD DESIGNATED ENDOWMENT**

The Organization's endowment consists of funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**6. BOARD DESIGNATED ENDOWMENT (Continued)**

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the Organization.

Endowment net asset composition by type of fund as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Board-Designated Endowment Funds</b>	\$ <u>4,395,965</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,395,965</u>

Changes in endowment net assets for the year ended December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>3,866,174</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,866,174</u>
Investment income:				
Investment income	138,624	-	-	138,624
Net appreciation (realized and unrealized gains)	<u>392,543</u>	<u>-</u>	<u>-</u>	<u>392,543</u>
Total investment return	531,167	-	-	531,167
Contributions	119,064	-	-	119,064
Other changes:				
Transfers to decrease board-designated endowment funds	<u>(120,440)</u>	<u>-</u>	<u>-</u>	<u>(120,440)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	\$ <u>4,395,965</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,395,965</u>

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**6. BOARD DESIGNATED ENDOWMENT (Continued)**

The investment objectives for the management of the fund of the Organization acting as an endowment (the "Endowment Fund" / "Board-Designated Endowment") are to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets against inflation. Subject to the ultimate approval of the Board of Directors, these objectives shall be implemented and monitored by the Investment Committee.

The general policy shall be to diversify investments within both equity and fixed income securities to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment style.

The Endowment Fund income under this investment policy shall be defined on a total return basis (i.e. including realized and unrealized gains/losses). The exact amount of total withdrawals made in a year shall be as set forth in the Organization's budget as approved annually by the Board of Directors.

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 10, 2013, the date the financial statements were issued.