

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2013**

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., which comprise the statement of financial position as of December 31, 2014, 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 buildOn, Inc. as of December 31, 2014, 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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Report on Summarized Comparative Information

We have previously audited buildOn, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2014. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2013, is consistent in all material respects with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

September 14, 2015

BUILDON, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,276,486	\$ 1,284,893
Investments (Notes 2, 6 and 7)	5,489,914	5,158,939
Contributions receivable, net of allowance of \$64,655 in 2013	2,683,576	1,621,223
Prepaid expenses	45,545	91,295
Other current assets	<u>40,389</u>	<u>51,966</u>
Total current assets	<u>9,535,910</u>	<u>8,208,316</u>
PROPERTY AND EQUIPMENT		
Computers and related equipment	111,692	110,180
Vehicles	292,444	258,651
Other	<u>2,872</u>	<u>2,872</u>
Less: Accumulated depreciation and amortization	<u>407,008</u> <u>(259,794)</u>	<u>371,703</u> <u>(215,345)</u>
Net property and equipment	<u>147,214</u>	<u>156,358</u>
TOTAL ASSETS	<u>\$ 9,683,124</u>	<u>\$ 8,364,674</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>287,194</u>	\$ <u>280,967</u>
NET ASSETS		
Unrestricted (Note 7)	5,164,610	4,813,664
Temporarily restricted (Note 3)	<u>4,231,320</u>	<u>3,270,043</u>
Total net assets	<u>9,395,930</u>	<u>8,083,707</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,683,124</u>	<u>\$ 8,364,674</u>

BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Foundations and corporations	\$ 1,127,531	\$ 3,862,202	\$ 4,989,733	\$ 3,610,871
Individuals	1,684,480	3,668,806	5,353,286	4,606,335
Government grants	-	-	-	346,663
Special events, net of direct donor benefits of \$606,184 in 2014 and \$513,940 in 2013	2,107,843	143,896	2,251,739	1,499,963
In-kind contributions	1,882,842	-	1,882,842	1,355,378
Interest	1,041	-	1,041	11,534
Merchandise sales	-	15,115	15,115	11,753
Net assets released from donor restrictions (Note 3)	<u>6,728,742</u>	<u>(6,728,742)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>13,532,479</u>	<u>961,277</u>	<u>14,493,756</u>	<u>11,442,497</u>
EXPENSES				
Program services:				
International Building Schools, including donated goods and services of \$1,180,818 in 2014 and \$772,240 in 2013	6,272,547	-	6,272,547	4,414,994
U.S. After-School, including donated goods and services of \$384,236 in 2014 and \$430,788 in 2013	5,037,324	-	5,037,324	4,929,025
International Adult Literacy	<u>83,926</u>	<u>-</u>	<u>83,926</u>	<u>70,757</u>
Total program services	<u>11,393,797</u>	<u>-</u>	<u>11,393,797</u>	<u>9,414,776</u>
Supporting services:				
Management and General, including donated goods and services of \$116,571 in 2014 and \$91,695 in 2013	567,792	-	567,792	469,153
Fundraising, including donated goods and services of \$151,156 in 2014 and \$60,655 in 2013	<u>1,504,121</u>	<u>-</u>	<u>1,504,121</u>	<u>1,263,682</u>
Total supporting services	<u>2,071,913</u>	<u>-</u>	<u>2,071,913</u>	<u>1,732,835</u>
Total expenses	<u>13,465,710</u>	<u>-</u>	<u>13,465,710</u>	<u>11,147,611</u>
Change in net assets before other items	<u>66,769</u>	<u>961,277</u>	<u>1,028,046</u>	<u>294,886</u>
OTHER ITEMS				
Dividends	126,817	-	126,817	75,948
Realized gain on sales of investments	80,013	-	80,013	103,864
Unrealized gain on investments	126,802	-	126,802	583,162
Net foreign exchange (loss) gain	(19,418)	-	(19,418)	8,338
Bad debts	<u>(30,037)</u>	<u>-</u>	<u>(30,037)</u>	<u>(197,801)</u>
Total other items	<u>284,177</u>	<u>-</u>	<u>284,177</u>	<u>573,511</u>
Change in net assets	350,946	961,277	1,312,223	868,397
Net assets at beginning of year	<u>4,813,664</u>	<u>3,270,043</u>	<u>8,083,707</u>	<u>7,215,310</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,164,610</u>	<u>\$ 4,231,320</u>	<u>\$ 9,395,930</u>	<u>\$ 8,083,707</u>

See accompanying notes to financial statements.

BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014							2013	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	International Building Schools	U.S. After- School	International Adult Literacy	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 1,483,894	\$ 2,896,336	\$ -	\$ 4,380,230	\$ 170,991	\$ 740,156	\$ 911,147	\$ 5,291,377	\$ 4,905,151
Payroll taxes and benefits (Note 4)	291,314	849,091	-	1,140,405	41,298	153,606	194,904	1,335,309	1,163,743
Total salaries and benefits	1,775,208	3,745,427	-	5,520,635	212,289	893,762	1,106,051	6,626,686	6,068,894
Construction	2,315,344	-	-	2,315,344	-	-	-	2,315,344	1,416,198
Contractor fees	766,565	19,589	331	786,485	-	13,370	13,370	799,855	747,668
Professional fees	4,375	101	-	4,476	162,962	2,616	165,578	170,054	116,104
Occupancy (Note 5)	165,131	382,660	-	547,791	23,188	83,059	106,247	654,038	511,960
Conference and meetings	37,409	34,849	38,000	110,258	28,215	99,201	127,416	237,674	82,962
Travel	973,177	495,900	11,678	1,480,755	4,145	88,278	92,423	1,573,178	1,316,992
Insurance	33,671	65,182	-	98,853	57,545	-	57,545	156,398	131,091
Postage	2,511	4,046	-	6,557	1,567	15,450	17,017	23,574	30,516
Printing and publications	8,445	19,092	-	27,537	52	54,751	54,803	82,340	42,851
Repairs and maintenance	72,603	18,733	1,128	92,464	-	4,665	4,665	97,129	49,753
Supplies	35,752	187,470	-	223,222	4,015	7,731	11,746	234,968	246,324
Telephone and communications	31,806	28,566	1,629	62,001	2,762	2,179	4,941	66,942	60,115
Stipends	906	32	29,908	30,846	-	-	-	30,846	33,592
Depreciation	33,047	-	-	33,047	19,174	7,106	26,280	59,327	67,555
Miscellaneous	16,597	35,677	1,252	53,526	51,878	231,953	283,831	337,357	225,036
Total expenses	6,272,547	5,037,324	83,926	11,393,797	567,792	1,504,121	2,071,913	13,465,710	11,147,611
Direct cost of donor benefit	-	-	-	-	-	606,184	606,184	606,184	513,940
Bad debts	13,516	16,521	-	30,037	-	-	-	30,037	197,801
TOTAL	\$ 6,286,063	\$ 5,053,845	\$ 83,926	\$ 11,423,834	\$ 567,792	\$ 2,110,305	\$ 2,678,097	\$ 14,101,931	\$ 11,859,352

See accompanying notes to financial statements.

BUILDON, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,312,223	\$ 868,397
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	59,327	67,555
Loss on sale of vehicles	12,127	
Realized gain on sales of investments	(80,013)	(103,864)
Unrealized gain on investments	(126,802)	(583,162)
Stock donations	(74,820)	(68,700)
Bad debts	30,037	197,801
Change in allowance for bad debt	(64,655)	(66,630)
(Increase) decrease in:		
Contributions receivable	(1,027,735)	(330,671)
Prepaid expenses	45,750	(31,357)
Other current assets	11,577	(8,630)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>6,229</u>	<u>(215,218)</u>
Net cash provided (used) by operating activities	<u>103,245</u>	<u>(274,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(73,568)	(27,257)
Proceeds from sales of property and equipment	11,256	-
Purchases of investments	(1,660,002)	(4,823,027)
Proceeds from sales of investments	<u>1,610,662</u>	<u>4,815,779</u>
Net cash used by investing activities	<u>(111,652)</u>	<u>(34,505)</u>
Net decrease in cash and cash equivalents	(8,407)	(308,984)
Cash and cash equivalents at beginning of year	<u>1,284,893</u>	<u>1,593,877</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,276,486</u>	<u>\$ 1,284,893</u>

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

buildOn, Inc. is a not-for-profit corporation headquartered in Stamford, Connecticut. buildOn, Inc. 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, buildOn, Inc. runs intensive youth service programs in challenged urban high schools. It empowers U.S. youth to contribute direct service to their communities - working with senior citizens, the homeless, and younger children. These same students help build schools in some of the economically poorest countries in the world. 95% of buildOn, Inc. students in the U.S. not only graduate from high school, they go on to college. And internationally, buildOn, Inc. schools provide access to education for more than 85,000 children, parents and grandparents every day.

Over the past 21 years, the students buildOn, Inc. serves have contributed more than 1.4 million hours of service in the U.S., and have helped build more than 706 schools, 115 of which were completed during 2014, in the following locations: Mali (217), Nepal (121), Nicaragua (134), Malawi (113), Bolivia (8), Haiti (65), India (3), Brazil (2), Senegal (34), Burkina Faso (8) and the United States (1). The majority of buildOn, Inc.'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 buildOn, Inc.'s financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Cash and cash equivalents -

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

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

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.

Property and equipment -

Property and equipment in excess of \$1,000 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 three to five years.

BUILDOn, Inc.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

Property and equipment (continued) -

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, 2014 totaled \$59,327.

Contributions receivable -

Contributions 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.

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 contributions (for site development) are received by the local community in which the school is constructed. Accordingly, such amounts are excluded from both revenue and expenses, as land is administered by buildOn, Inc. 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 buildOn, Inc.. 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 \$438,994, 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.

buildOn, Inc. occupies office space and facilities at no cost, and valued at \$585,000; 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. buildOn, Inc. also received \$858,848 in donated legal services, construction materials and other project-specific goods/materials as well as professional services; these contributions have similarly been reported as in-kind donations and included in donated goods and service expense. All donations are recorded at their fair value.

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

Income taxes -

buildOn, Inc. 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. buildOn, Inc. is not a private foundation.

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

Uncertain tax positions -

For the year ended December 31, 2014, buildOn, Inc. has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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 buildOn, Inc. 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 buildOn, Inc. 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.

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.

Risks and uncertainties -

buildOn, Inc. 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 -

buildOn, Inc. 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. buildOn, Inc. accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

BUILDON, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2014:

	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 16,118	\$ 16,118
Mutual funds	<u>5,002,078</u>	<u>5,473,796</u>
TOTAL INVESTMENTS	<u>\$ 5,018,196</u>	<u>\$ 5,489,914</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014:

International Building Schools	\$ 3,318,598
U.S. After-School	<u>912,722</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 4,231,320</u>

The following temporarily restricted net assets were released from restrictions by incurring expenses (or through the passage of time), satisfying the restrictions imposed by the donors:

International Building Schools	\$ 4,652,947
U.S. After-School	<u>2,075,795</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 6,728,742</u>

4. **RETIREMENT PLAN**

buildOn, Inc. provides retirement benefits to its full-time employees through a plan under IRS Section 403(b) of the Internal Revenue Code. buildOn, Inc. contributes 100% of all employee contributions up to \$1,500. Contributions made (by buildOn, Inc.) to the plan during the year ended December 31, 2014 totaled \$66,806.

5. **LEASES**

buildOn, Inc. leases office space in foreign countries under short-term rental agreements. The total paid by buildOn, Inc. for all foreign office spaces during the year ended December 31, 2014 totaled \$57,260. Additionally, buildOn, Inc. maintains its headquarters office in Stamford, Connecticut, and also rents out various other office locations within the United States (where buildOn, Inc.'s regional branches are based), most of which are under agreements that do not require payment of rent.

BUILDON, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

5. LEASES (Continued)

During the year ended December 31, 2014, the fair value of the contributed office space totaled \$585,000, and total paid office space costs aggregated \$3,830. Total 2014 worldwide rent expense, including in-kind office space, totaled \$646,090. Occupancy expense (including utilities) totaled \$654,038 during the year ended December 31, 2014.

6. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, buildOn, Inc. 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 buildOn, Inc. 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, 2014.

- *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, buildOn, Inc.'s investments as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2014</u>
Asset Class:				
Equities	\$ 16,118	\$ -	\$ -	\$ 16,118
Mutual funds	<u>5,473,796</u>	<u>-</u>	<u>-</u>	<u>5,473,796</u>
TOTAL	<u>\$ 5,489,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,489,914</u>

7. BOARD DESIGNATED ENDOWMENT

buildOn, Inc.'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, 2014**

7. 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 amounts set aside as Board Designated net assets. As a result of this interpretation, buildOn, Inc. classifies as Board Designated net assets (a) the original value of funds set aside endowment, (b) the original value of subsequent earnings of (or additions to) the endowment, and (c) accumulations to the endowment made in accordance with the direction of the Board of Directors at the time the accumulation is added to the fund. In accordance with UPMIFA, buildOn, Inc. considers the following factors in making a determination to appropriate or accumulate its endowment funds:

- The duration and preservation of the fund;
- The purpose of buildOn, Inc. and the 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 buildOn, Inc..

Endowment net asset composition by type of fund as of December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-Designated Endowment Funds	<u>\$ 5,473,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,473,796</u>

Changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 5,158,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,158,939</u>
Investment return:				
Investment income	108,042	-	-	108,042
Net appreciation (realized and unrealized gains)	<u>206,815</u>	<u>-</u>	<u>-</u>	<u>206,815</u>
Total investment return	<u>314,857</u>	<u>-</u>	<u>-</u>	<u>314,857</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 5,473,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,473,796</u>

The investment objectives for the management of the fund of buildOn, Inc. 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.

BUILDON, Inc.

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7. BOARD DESIGNATED ENDOWMENT (Continued)

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 buildOn, Inc.'s budget as approved annually by the Board of Directors.

8. SUBSEQUENT EVENTS

In preparing these financial statements, buildOn, Inc. has evaluated events and transactions for potential recognition or disclosure through September 14, 2015, the date the financial statements were issued.