

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2015**

**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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2015, is consistent in all material respects with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

December 21, 2017

## BUILDON, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,336,065	\$ 3,073,342
Investments	5,971,048	5,433,688
Contributions receivable	2,829,599	2,227,206
Prepaid expenses	41,391	53,580
Other current assets	<u>7,105</u>	<u>7,105</u>
Total current assets	<u>12,185,208</u>	<u>10,794,921</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computers and related equipment	118,498	116,101
Vehicles	595,537	624,247
Other	<u>2,872</u>	<u>2,872</u>
	716,907	743,220
Less: Accumulated depreciation and amortization	<u>(435,757)</u>	<u>(340,064)</u>
Net property and equipment	<u>281,150</u>	<u>403,156</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,466,358</u></b>	<b><u>\$ 11,198,077</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ <u>304,733</u>	\$ <u>394,232</u>
<b>NET ASSETS</b>		
Unrestricted	6,217,059	6,481,885
Temporarily restricted	<u>5,944,566</u>	<u>4,321,960</u>
Total net assets	<u>12,161,625</u>	<u>10,803,845</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,466,358</u></b>	<b><u>\$ 11,198,077</u></b>

## BUILDON, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Foundations and corporations	\$ 1,015,515	\$ 5,893,048	\$ 6,908,563	\$ 6,137,296
Individuals	2,824,759	4,382,440	7,207,199	6,087,952
Special events, net of expenses of \$950,919 in 2016 and \$890,770 in 2015	1,685,517	45,495	1,731,012	2,617,277
In-kind contributions	2,187,636	-	2,187,636	2,187,348
Interest	684	-	684	1,337
Merchandise sales	-	239	239	9,814
Net assets released from donor restrictions	<u>8,698,616</u>	<u>(8,698,616)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>16,412,727</u>	<u>1,622,606</u>	<u>18,035,333</u>	<u>17,041,024</u>
<b>EXPENSES</b>				
Program Services:				
International Building Schools, including donated goods and services of \$158,263 in 2016 and \$1,780,524 in 2015	9,377,453	-	9,377,453	8,370,841
U.S. After-School, including donated goods and services of \$160,212 in 2016 and \$150,096 in 2015	4,683,862	-	4,683,862	4,666,950
International Adult Literacy	<u>117,825</u>	<u>-</u>	<u>117,825</u>	<u>100,615</u>
Total program services	<u>14,179,140</u>	<u>-</u>	<u>14,179,140</u>	<u>13,138,406</u>
Supporting Services:				
Management and General, including donated goods and services of \$445,715 in 2016 and \$159,047 in 2015	1,112,239	-	1,112,239	760,215
Development, including donated goods and services of \$23,446 in 2016 and \$97,681 in 2015	<u>1,714,232</u>	<u>-</u>	<u>1,714,232</u>	<u>1,534,493</u>
Total supporting services	<u>2,826,471</u>	<u>-</u>	<u>2,826,471</u>	<u>2,294,708</u>
Total expenses	<u>17,005,611</u>	<u>-</u>	<u>17,005,611</u>	<u>15,433,114</u>
Change in net assets before other items	<u>(592,884)</u>	<u>1,622,606</u>	<u>1,029,722</u>	<u>1,607,910</u>
<b>OTHER ITEMS</b>				
Dividends	141,712	-	141,712	111,806
Realized (loss) gain on sales of investments	(72)	-	(72)	(194)
Unrealized gain (loss) on investments	313,558	-	313,558	(151,914)
Net foreign exchange (loss) gain	(16,469)	-	(16,469)	12,462
Bad debts	<u>(110,671)</u>	<u>-</u>	<u>(110,671)</u>	<u>(172,155)</u>
Total other items	<u>328,058</u>	<u>-</u>	<u>328,058</u>	<u>(199,995)</u>
Change in net assets	(264,826)	1,622,606	1,357,780	1,407,915
Net assets at beginning of year	<u>6,481,885</u>	<u>4,321,960</u>	<u>10,803,845</u>	<u>9,395,930</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 6,217,059</b></u>	<u><b>\$ 5,944,566</b></u>	<u><b>\$ 12,161,625</b></u>	<u><b>\$ 10,803,845</b></u>

## BUILDON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016							2015	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	International Building Schools	U.S. After-School	International Adult Literacy	Total Program Services	Management and General	Development	Total Supporting Services		
Salaries and wages	\$ 2,218,569	\$ 2,956,763	\$ -	\$ 5,175,332	\$ 195,679	\$ 849,530	\$ 1,045,209	\$ 6,220,541	\$ 5,550,083
Payroll taxes and benefits	579,160	804,614	-	1,383,774	49,836	170,635	220,471	1,604,245	1,480,249
Total salaries and benefits	2,797,729	3,761,377	-	6,559,106	245,515	1,020,165	1,265,680	7,824,786	7,030,332
Construction	3,238,688	-	6,373	3,245,061	-	-	-	3,245,061	2,983,658
Contractor fees	1,515,841	34,752	-	1,550,593	100,265	108,932	209,197	1,759,790	1,297,328
Professional fees	7,010	100	-	7,110	304,909	-	304,909	312,019	170,811
Occupancy	86,185	222,206	130	308,521	222,119	42,376	264,495	573,016	488,797
Conference and meetings	61,521	6,813	41,215	109,549	87,923	45,810	133,733	243,282	169,879
Travel	1,103,910	377,338	9,479	1,490,727	35,235	122,441	157,676	1,648,403	1,655,441
Insurance	98,680	75,466	23	174,169	15,913	25,060	40,973	215,142	191,415
Postage	4,073	977	-	5,050	2,546	16,043	18,589	23,639	17,682
Printing and publications	12,735	2,056	229	15,020	14,340	82,588	96,928	111,948	108,171
Repairs and maintenance	70,891	7,156	1,706	79,753	1,711	3,370	5,081	84,834	106,975
Supplies	164,257	141,689	5,735	311,681	7,306	8,753	16,059	327,740	571,524
Telephone and communications	50,413	25,879	2,491	78,783	9,374	3,051	12,425	91,208	84,084
Stipends	51,879	-	46,597	98,476	-	-	-	98,476	83,099
Depreciation and amortization	101,824	-	-	101,824	6,240	-	6,240	108,064	87,656
Miscellaneous	11,817	28,053	3,847	43,717	58,843	235,643	294,486	338,203	386,262
Total expenses	9,377,453	4,683,862	117,825	14,179,140	1,112,239	1,714,232	2,826,471	17,005,611	15,433,114
Special event expenses	-	-	-	-	-	950,919	950,919	950,919	890,770
Bad debts	54,168	56,503	-	110,671	-	-	-	110,671	172,155
<b>TOTAL</b>	<b>\$ 9,431,621</b>	<b>\$ 4,740,365</b>	<b>\$ 117,825</b>	<b>\$ 14,289,811</b>	<b>\$ 1,112,239</b>	<b>\$ 2,665,151</b>	<b>\$ 3,777,390</b>	<b>\$ 18,067,201</b>	<b>\$ 16,496,039</b>

See accompanying notes to financial statements.

## BUILDON, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,357,780	\$ 1,407,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	113,641	87,656
Gain on sale of property and equipment	(5,577)	(9,142)
Realized loss on sales of investments	72	194
Unrealized (gain) loss on investments	(313,558)	151,914
Stock donations	-	(30,353)
Bad debts	110,671	172,155
(Increase) decrease in:		
Contributions receivable	(713,064)	284,215
Prepaid expenses	12,189	(8,035)
Other current assets	-	33,284
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(89,499)</u>	<u>107,038</u>
Net cash provided by operating activities	<u>472,655</u>	<u>2,196,841</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,204)	(343,598)
Proceeds from sales of property and equipment	15,146	9,142
Purchases of investments	(241,712)	(111,805)
Proceeds from sales of investments	<u>17,838</u>	<u>46,276</u>
Net cash used by investing activities	<u>(209,932)</u>	<u>(399,985)</u>
Net increase in cash and cash equivalents	262,723	1,796,856
Cash and cash equivalents at beginning of year	<u>3,073,342</u>	<u>1,276,486</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,336,065</u></b>	<b><u>\$ 3,073,342</u></b>



## BUILDOn, Inc.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

#### 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 service learning 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. Internationally, buildOn, Inc. schools provide access to education for more than 123,000 children, parents and grandparents every day.

Over the past 26 years, the students buildOn, Inc. serves have contributed more than 2.0 million hours of service in the U.S., and have helped build more than 1133 schools, 205 of which were completed during 2016, in the following locations: Bolivia (8), Brazil (2), Burkina Faso (55), Haiti (115), India (3), Malawi (207), Mali (279), Nepal (181), Nicaragua (193), Senegal (89), 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 vests with the local communities in which they are built when constructed.

##### 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 as of and for the year ended December 31, 2015, 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.

At December 31, 2016, buildOn, Inc. had \$288,296 of cash and cash equivalents held at financial institutions in foreign countries to support operations in those countries. The majority of funds invested in foreign countries are uninsured.

**BUILDOn, Inc.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

Foreign currency translation -

The functional currency of buildOn, Inc. is the U.S. Dollar. The financial statements and transactions of buildOn, Inc.'s foreign operations are generally maintained in the applicable local currency. When local currencies are used, assets and liabilities are translated into U.S. Dollars in the accompanying Statement of Financial Position at the spot exchange rate in effect as of December 31, 2016. Transactions in currencies other than U.S. dollars are translated into U.S. dollars at the rates of exchange in effect during the month of the transaction. In the accompanying Statement of Activities and Change in Net Assets, net gains resulting from these transactional exchanges are recognized as an other item. Net losses on foreign exchange totaled \$16,469 during the year ended December 31, 2016.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in "Other items" in the accompanying 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.

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, 2016 totaled \$113,641.

Contributions receivable -

Contributions receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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 buildOn, Inc.'s revenue and expenses, as land is utilized by buildOn, Inc. solely to construct the school.

**BUILDOn, Inc.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

In-kind contributions (continued) -

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. Contributions totaling \$1,537,263 are included as both revenue and expense in the accompanying Statement of Activities and Change in Net Assets. All in-kind contributions are recorded at their fair value at the time the donation is received.

buildOn, Inc. occupies office space and facilities at no cost, and valued at \$403,195; these donations have been reported in revenue as in-kind contributions revenue, and as occupancy expense (in the statement of functional expenses), and are allocated to the program and supporting services benefited. buildOn, Inc. also received \$247,178 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 contributions revenue, and included in the respective expense categories (in the statement of functional expenses). All contributions are recorded at their fair value at the time the donation is received.

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.

Uncertain tax positions -

For the year ended December 31, 2016, 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.

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.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

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.

New accounting pronouncements not yet adopted -

In 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. ASU 2016-14 also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of buildOn, Inc.'s financial statements, it is not expected to alter buildOn, Inc.'s reported statement of financial position.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

New accounting pronouncements not yet adopted (continued) -

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU is effective for private entities for fiscal years beginning after December 15, 2018.

buildOn, Inc. plans to adopt these new accounting pronouncements at the required implementation dates.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2016:

	<u>Cost</u>	<u>Fair Value</u>
<b>Mutual Funds</b>	<b>\$ <u>5,337,686</u></b>	<b>\$ <u>5,971,048</u></b>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016:

International Building Schools	\$ 4,904,776
U.S. After-School	<u>1,039,790</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ <u>5,944,566</u></b>

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	\$ 2,371,049
U.S. After-School	<u>6,327,567</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ <u>8,698,616</u></b>

**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, 2016, totaled \$57,609.

## BUILDON, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

#### 5. LEASES

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 short-term agreements that do not require payment of rent. During the year ended December 31, 2016, the fair value of the contributed office space totaled \$403,195, and total paid office space costs aggregated \$78,339. Accordingly, total 2016 U.S. rent expense, including in-kind office space, totaled \$481,534.

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, 2016 totaled \$49,886.

Total worldwide occupancy expense (including utilities of \$41,596 and paid/in-kind office space of \$531,420) totaled \$573,016 during the year ended December 31, 2016.

#### 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, 2016.

- *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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2016</u>
<b>Asset Class:</b>				
<b>Mutual Funds</b>	<b>\$ 5,971,048</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,971,048</b>

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**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.

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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Board-Designated Endowment Funds</b>	<b><u>\$ 5,971,048</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,971,048</u></b>

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 5,433,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,433,688</u>
Investment return:				
Investment income	141,712	-	-	141,712
Net realized and unrealized gains	<u>313,486</u>	<u>-</u>	<u>-</u>	<u>313,486</u>
Total investment return	<u>455,198</u>	<u>-</u>	<u>-</u>	<u>455,198</u>
Transfers	<u>82,162</u>	<u>-</u>	<u>-</u>	<u>82,162</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 5,971,048</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,971,048</u></b>

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.

**BUILDON, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**7. BOARD DESIGNATED ENDOWMENT (Continued)**

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 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 December 21, 2017, the date the financial statements were issued.