BUILD CHANGE
Denver, Colorado

FINANCIAL STATEMENTS
December 31, 2011

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

Board of Directors
Build Change
Denver, Colorado

We have audited the accompanying statement of financial position of Build Change, as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Build Change's management. Our responsibility is to express an opinion on the 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 of material misstatement. An audit 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 financial statements referred to above present fairly, in all material respects, the financial position of Build Change, as of December 31, 2011, 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.

CliftonLarsonAllen LLP

Denver, Colorado
September 28, 2012

BUILD CHANGE
STATEMENT OF FINANCIAL POSITION
December 31, 2011

ASSETS

CURRENT ASSETS	
Cash - unrestricted	$ 729,682
Accounts receivable	778,866
Donations and grants receivable - short-term	237,500
Prepaid expenses	3,952
Total current assets	1,750,000
PROPERTY AND EQUIPMENT	
Equipment and furniture	74,347
Less accumulated depreciation	(12,486)
Total property and equipment	61,861
OTHER LONG-TERM ASSETS	
Donations and grants receivable - long-term	350,000
Deposits	3,515
Total other long-term assets	353,515
Total long-term assets	415,376
TOTAL ASSETS	$ 2,165,376

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 13,317
Credit cards payable	6,444
Accrued liabilities	122,135
Total current liabilities	141,896
NET ASSETS	
Unrestricted	1,223,480
Temporarily restricted	800,000
Total net assets	2,023,480
TOTAL LIABILITIES AND NET ASSETS	$ 2,165,376

The accompanying notes are an integral part of the financial statements.

BUILD CHANGE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grant income	$ 2,302,112	$ 600,000	$ 2,902,112
USAID grant	113,879	-	113,879
Contract income	297,854	-	297,854
Contributions	393,516	200,000	593,516
Program fees	1,050	-	1,050
Interest income	699	-	699
Net assets released from restrictions	1,048,700	(1,048,700)	-
Total revenues and support	4,157,810	(248,700)	3,909,110
EXPENSES			
Program services			
Indonesia	245,297	-	245,297
Technical Consulting	1,539	-	1,539
China	112,260	-	112,260
Haiti	2,352,480	-	2,352,480
Total program services	2,711,576	-	2,711,576
MANAGEMENT AND GENERAL			
Fundraising	196,288	-	196,288
General and administrative	255,762	-	255,762
Total management and general	452,050	-	452,050
Total expenses	3,163,626	-	3,163,626
INCREASE (DECREASE) IN NET ASSETS	994,184	(248,700)	745,484
NET ASSETS - BEGINNING OF YEAR	229,296	1,048,700	1,277,996
NET ASSETS - END OF YEAR	$ 1,223,480	$ 800,000	$ 2,023,480

The accompanying notes are an integral part of the financial statements.

BUILD CHANGE
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2011

	Indonesia	Technical Consulting	China	Haiti	Total Program Expenses	Fundraising	General and Administrative	Total
Salaries and wages	$ 145,808	$ 50	$ 70,012	$ 879,990	$ 1,095,860	$ 153,148	$ 115,584	$ 1,364,592
Employee benefits	(23,254)	52	5,706	183,791	166,295	4,055	17,666	188,016
Payroll taxes	602	-	12,434	43,820	56,856	13,487	10,903	81,246
Contract services	-	1,309	-	544,964	546,273	-	86,045	632,318
Office supplies and expenses	16,109	-	3,107	81,892	101,108	26,699	20,878	148,685
Rent, facilities and equipment	5,782	128	5,218	106,107	117,235	-	18,382	135,617
Depreciation	256	-	-	7,826	8,082	-	1,377	9,459
IT services and computer expenses	1,199	-	60	15,467	16,726	653	5,115	22,494
Travel and meetings	12,299	-	9,083	47,489	68,871	34,740	14,789	118,400
General business expenses	1,113	-	1,164	3,787	6,064	27	2,461	8,552
Training supplies and equipment	25,941	-	324	35,813	62,078	-	-	62,078
Training and Outreach materials	45,594	-	3,506	60,392	109,492	-	-	109,492
Transport and freight	13,848	-	1,646	266,266	281,760	917	-	282,677
HQ administration fees	-	-	-	74,876	74,876	(37,438)	(37,438)	-
TOTAL EXPENSES	$ 245,297	$ 1,539	$ 112,260	$ 2,352,480	$ 2,711,576	$ 196,288	$ 255,762	$ 3,163,626

The accompanying notes are an integral part of the financial statements.

BUILD CHANGE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

CASH FLOWS USED BY OPERATING ACTIVITIES	
Increase in net assets	$ 745,484
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	9,459
Donations and grants receivable	(785,837)
Prepaid expenses	(1,754)
Deposits	1,000
Accounts payable	(28,236)
Accrued payroll taxes	1,961
Severance liability	23,378
Net cash used by operating activities	(34,545)
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of property and equipment	(21,797)
NET DECREASE IN CASH	(56,342)
CASH, BEGINNING OF YEAR	786,024
CASH, END OF YEAR	$ 729,682

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Build Change (the "Organization") is a non-profit, tax-exempt corporation formed September 2, 2004 in the State of California, as an international social enterprise that designs earthquake-resistant houses in developing countries and trains builders, homeowners, engineers, and governmental officials to build them. Build Change is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended; and accordingly, a provision for income taxes has not been made. The Internal Revenue Service has determined Build Change is not a private foundation.

Method of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other assets and liabilities.

Financial Statement Presentation

Financial statement presentation follows the requirements under Generally Accepted Accounting Principles for *Not-for-Profit Organizations.* Under this presentation the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted net assets. Unrestricted net assets come primarily from donations, grants, service contracts, and contributions and are used by the Organization for program or supporting services. Temporarily restricted net assets are those net assets which use has been limited by donors to later periods of time, after specified dates or to specified purposes. Permanently restricted net assets must be maintained in perpetuity.

Revenue Recognition

Build Change records unconditional contributions in accordance with the requirements of Generally Accepted Accounting Principles for not-for-profit entities. The Organization reports unconditional gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Support that is restricted by the donor Is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (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 Statement of Activity as net assets released from restrictions.

Grants are recognized as revenue at the time the Organization receives commitment from the Grantor.

For exchange transactions, the Organization recognizes field and program revenue as it is earned and expenses as they are incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Foreign Exchange

At December 31, 2011, all of the Organization's grants receivable are payable to the Organization in U.S. dollars. There were no foreign exchange gains recognized in 2011.

Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Donations and Grants Receivable

The Organization receives grants from philanthropically focused organizations for investment in the Organization's mission related projects. Grants receivable consist of funding commitments from those organizations which have not been received. The Organization does not charge interest on delinquent accounts. Long-term portions of accounts receivable are expected to be received by December 31, 2013. Management believes that all receivable amounts are collectible as of year-end. For the year ended December 31, 2011, there were no amounts written off as uncollectible receivables.

Donated Services

Donated services are recognized as contributions in accordance Generally Accepted Accounting Principles for not-for-profit entities, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended December 31, 2011, the value of donated professional engineering and legal services meeting the requirements for recognition in the financial statements was $312,276. However, a substantial number of volunteers have donated significant amounts of time to the Organization to carry out its mission but are not reflected in the financial statements because they do not meet the criteria for recognition as donated services.

Property and Equipment

Property and equipment is carried at cost or fair-market value at date of purchase. Property and equipment acquired with an estimated useful life in excess of one year is capitalized and depreciated using the straight-line method over the estimated useful lives of the assets.

Donations of assets are recorded at estimated fair market value. Long-lived assets are recorded without implying a time restriction, therefore increasing unrestricted net assets at the fair market value in the year which the assets are received unless the donor has restricted the donated assets to a specific purpose. Depreciation expense charged to operations for the year ended December 31, 2011 is $9,459.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairments recognized by the Organization for the year ended December 31, 2011.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Program activities are those that are conducted in accordance with the Organization’s nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to an organization’s existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets or time. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by function have been allocated based upon management’s estimates of the time each employee spends working in each category or the percentage of office space devoted to each category.

Advertising

The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. The Organization had no advertising costs during the year ended December 31, 2011.

Fair Value of Financial Instruments

The Organization’s financial instruments include cash and cash equivalents, receivables, accounts payable and short-term borrowings. The fair value of these financial instruments approximates their carrying amounts based on current market indicators such as prevailing interest rates and their nearness to maturity.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization’s tax exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as an organization other than a private foundation under Section 509(a)(1).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Generally Accepted Accounting Principles, a private entity is required to disclose any material uncertain tax positions that management believes does not meet a "more-likely-than-not" standard of being sustained under an income tax audit and to record a liability for any such taxes including penalty and interest. Management of the Organization has not identified any uncertain tax positions that require the recording of a liability mentioned above or further disclosure. The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years ended December 31, 2007 and prior.

Subsequent Events

Management evaluated subsequent events through September 28, 2012, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to September 28, 2012, that provided additional evidence about conditions that existed at December 31, 2011 have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2011.

NOTE 2 – SEVERANCE ACCRUAL

Build Change records a severance accrual for employees in Haiti and Indonesia to conform with legal requirements of those countries. Severance pay in Haiti is calculated as one-half of the monthly salary after three months of service, increases to 100% of the employee's monthly salary after one year of service, and increases to two times the employee's monthly salary after three years of service. Severance pay for Indonesia is calculated as current monthly salary times years of service. The total severance accrual for Indonesia and Haiti as of December 31, 2011 is $40,518 and $30,865, respectively.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

The Organization receives contributions from various corporations, organizations, and individuals, which are temporarily restricted. At December 31, 2011, temporarily restricted net assets are comprised entirely of the following contributions:

Indonesia	$ 100,000
Future years	700,000
Total	$ 800,000

NOTE 4 – OPERATING LEASE

The Organization leases office space in Denver, Colorado under a non-cancelable operating lease. The minimum future lease payments for the years ending December 31 are as follows:

2012	$ 19,140
2013	4,785
Total	$ 23,925

Rental expense related to operating leases was $18,422 for the year ended December 31, 2011.

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of the following:

Cash

The financial institutions holding the Organization's domestic cash accounts totaling $641,357 are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2011, all non-interest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. At certain times throughout the year, the Organization had certain cash equivalent amounts in excess of the federally insured amounts for interest bearing accounts. The Organization believes it is not exposed to any significant credit risk on domestic cash and investments. Cash and investments held in foreign banks totaling $88,325 are uninsured and subject to credit risk.

Donations and Grants Receivable

At December 31, 2011, approximately 65% of the Organization's receivables were concentrated with Cordaid, Hilti Foundation and RMS, Inc.

NOTE 6 – RELATED PARTY TRANSACTIONS

A portion of the Organization's activities and transactions is with affiliated organizations who are related to the Organization. Significant related party transactions are described below.

Two Board members that serve on Build Change's Board of Directors are also affiliated with two organizations that made contributions to Build Change in 2011. Total contributions received or committed by these organizations for the year ended December 31, 2011 was $1,306,660.