BUILD CHANGE
Denver, Colorado

FINANCIAL STATEMENTS

December 31, 2014 and 2013

TABLE OF CONTENTS

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Build Change
Denver, Colorado

We have audited the accompanying financial statements of Build Change, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 Build Change as of December 31, 2014 and 2013, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information – Cost of Programs Schedule

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The cost of programs schedules on pages 17 and 18, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2015, on our consideration of Build Change's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Build Change's internal control over financial reporting and compliance.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, Build Change changed its method of accounting related to how revenue from donated long-lived assets is classified in net asset categories during 2014. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
May 8, 2015

BUILD CHANGE
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	$ 1,103,457	$ 789,413
Accounts receivable	138,490	218,935
Contributions and grants receivable - short-term	690,075	383,969
Prepaid expenses	17,762	17,679
Total current assets	1,949,784	1,409,996
PROPERTY AND EQUIPMENT		
Equipment and furniture	399,771	96,296
Less accumulated depreciation	(150,492)	(47,004)
Total property and equipment	249,279	49,292
OTHER LONG-TERM ASSETS		
Contributions and grants receivable - long-term	233,790	450,000
Deposits	20,554	8,594
Total other long-term assets	254,344	458,594
Total long-term assets	503,623	507,886
TOTAL ASSETS	$ 2,453,407	$ 1,917,882

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accounts payable	$ 11,930	3,617
Due to related party	5,833	154
Credit cards payable	19,247	14,574
Accrued liabilities	113,799	135,099
Deferred Revenue	28,802	-
Total liabilities - all current	179,611	153,444
NET ASSETS		
Unrestricted	87,863	543,695
Temporarily restricted	2,185,933	1,220,743
Total net assets	2,273,796	1,764,438
TOTAL LIABILITIES AND NET ASSETS	$ 2,453,407	$ 1,917,882

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

BUILD CHANGE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	$ 1,827,394	$ 1,735,082	$ 3,562,476
Contract income	718,744	-	718,744
Foreign Exchange Loss	(9,569)	-	(9,569)
Interest income	1,003	-	1,003
Net assets released from restrictions	769,892	(769,892)	-
Total revenues and support	3,307,464	965,190	4,272,654
EXPENSES			
Program services			
Indonesia	374,789	-	374,789
Technical consulting	57,105	-	57,105
Latin America	253,064	-	253,064
Philippines	252,190	-	252,190
Haiti	1,840,633	-	1,840,633
Total program services	2,777,781	-	2,777,781
MANAGEMENT AND GENERAL			
Fundraising	470,416	-	470,416
General and administrative	515,099	-	515,099
Total management and general	985,515	-	985,515
Total expenses	3,763,296	-	3,763,296
INCREASE (DECREASE) IN NET ASSETS	(455,832)	965,190	509,358
NET ASSETS - BEGINNING OF YEAR	543,695	1,220,743	1,764,438
NET ASSETS - END OF YEAR	$ 87,863	$ 2,185,933	$ 2,273,796

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

BUILD CHANGE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	$ 1,314,010	$ 1,170,743	$ 2,484,753
Contract income	231,277	-	231,277
Foreign Exchange Gain	1,769		1,769
Interest income	833	-	833
Net assets released from restrictions	525,000	(525,000)	-
Total revenues and support	2,072,889	645,743	2,718,632
EXPENSES			
Program services			
Indonesia	665,153	-	665,153
Technical consulting	17,571	-	17,571
Latin America	6,264	-	6,264
Philippines	15,023	-	15,023
Haiti	924,586	-	924,586
Total program services	1,628,597	-	1,628,597
MANAGEMENT AND GENERAL			
Fundraising	432,754	-	432,754
General and administrative	523,414	-	523,414
Total management and general	956,168	-	956,168
Total expenses	2,584,765	-	2,584,765
INCREASE (DECREASE) IN NET ASSETS	(511,876)	645,743	133,867
NET ASSETS - BEGINNING OF YEAR	1,055,571	575,000	1,630,571
NET ASSETS - END OF YEAR	$ 543,695	$ 1,220,743	$ 1,764,438

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

BUILD CHANGE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Indonesia	Technical Consulting	Haiti	Latin America	Philippines	Total Program Expenses	Fundraising	General and Administrative	Total
Salaries and wages	$ 194,524	$ 39,706	$ 710,338	$ 89,912	$ 116,533	$ 1,151,013	$ 300,616	$ 284,011	$ 1,735,640
Employee benefits	79,340	4,514	214,940	23,662	15,500	337,956	35,849	14,383	388,188
Payroll taxes	4,231	1,796	88,177	1,412	3,921	99,537	20,233	24,127	143,897
Professional services	70	50	10,610	51,365	10,279	72,374	24,128	67,897	164,399
Office supplies and expenses	11,173	1,760	103,881	4,143	7,731	128,688	17,959	24,354	171,001
Rent, facilities and equipment	7,049	780	98,934	16,800	12,023	135,586	1,508	35,632	172,726
Depreciation	17,602	-	74,475	9,634	-	101,711	-	1,777	103,488
IT services and computer expenses	1,881	238	39,830	2,030	8,121	52,100	9,576	4,359	66,035
Travel and meetings	17,396	6,638	35,462	41,509	70,017	171,022	48,392	30,624	250,038
General business expenses	8,041	1	6,363	512	2,284	17,201	235	20,740	38,176
Training supplies and equipment	16,139	-	73,912	147	2,138	92,336	232	-	92,568
Training and outreach materials	5,790	29	9,229	1,927	-	16,975	-	-	16,975
Transport and freight	11,553	1,593	260,591	10,011	3,643	287,391	11,688	7,195	306,274
Housing subsidies	-	-	113,891	-	-	113,891	-	-	113,891
TOTAL EXPENSES	$ 374,789	$ 57,105	$ 1,840,633	$ 253,064	$ 252,190	$ 2,777,781	$ 470,416	$ 515,099	$ 3,763,296

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

BUILD CHANGE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Indonesia	Technical Consulting	Haiti	Latin America	Philippines	Total Program Expenses	Fundraising	General and Administrative	Total
Salaries and wages	$ 252,082	$ 11,662	$ 436,591	$ 826	$ 7,375	$ 708,536	$ 283,177	$ 279,348	$ 1,271,061
Employee benefits	88,715	1,173	71,238	73	635	161,834	46,939	54,050	262,823
Payroll taxes	4,795	1,088	41,202	-	658	47,743	16,839	23,130	87,712
Professional services	33	3,290	1,399	4,020	-	8,742	2,188	68,262	79,192
Office supplies and expenses	49,654	358	49,906	50	140	100,108	12,150	17,532	129,790
Rent, facilities and equipment	17,482	-	101,580	-	-	119,062	84	26,189	145,335
Depreciation	256	-	18,898	-	-	19,154	-	1,747	20,901
IT services and computer expenses	1,911	-	2,348	-	638	4,897	550	4,656	10,103
Travel and meetings	32,565	-	28,113	1,295	5,531	67,504	27,039	22,757	117,300
General business expenses	1,080	-	6,068	-	46	7,194	138	22,455	29,787
Training supplies and equipment	155,401	-	26,705	-	-	182,106	-	-	182,106
Training and outreach materials	48,361	-	10,547	-	-	58,908	-	-	58,908
Transport and freight	12,818	-	129,991	-	-	142,809	43,650	3,288	189,747
TOTAL EXPENSES	$ 665,153	$ 17,571	$ 924,586	$ 6,264	$ 15,023	$ 1,628,597	$ 432,754	$ 523,414	$ 2,584,765

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

BUILD CHANGE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase in net assets	$ 509,358	$ 133,867
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	103,488	20,901
Effects of changes in operating assets and liabilities:		
Accounts, donations and grants receivable	(9,451)	(173,109)
Prepaid expenses	(83)	6,483
Deposits	(11,960)	(2,558)
Donated equipment	(303,475)	-
Accounts payable (including due to related party)	13,992	(31,944)
Accrued liabilities	4,673	1,163
Accrued liabilities	(21,300)	12,603
Deferred Revenue	28,802	-
Net cash provided (used) by operating activities	314,044	(32,594)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of property and equipment	-	(2,906)
NET INCREASE (DECREASE) IN CASH	314,044	(35,500)
CASH, BEGINNING OF YEAR	789,413	824,913
CASH, END OF YEAR	$ 1,103,457	$ 789,413
NONCASH TRANSACTIONS - INVESTING ACTIVITIES		
Donated software and website development services	$ 303,475	$ -

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 natural disaster-resistant houses and schools 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

The Organization records unconditional contributions in accordance with the requirements of Generally Accepted Accounting Principles for not-for-profit entities. The Organization recognizes revenue for contributions (and grants considered to be contributions) based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Organization is notified of the contribution and that promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions, revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as released from restrictions.

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

Revenue received in advance of the performance of services deemed to be exchange transactions are deferred until such time as related expenditures are incurred and then revenue is recognized. Deferred revenue amounts are included under the caption “Deferred grant revenue” on the consolidated statements of financial position.

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

The Organization recognized a foreign exchange loss of $9,569 for the year ended December 31, 2014 and a foreign exchange gain of $1,769 for the year ended December 31, 2013.

Cash and Cash Equivalents

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

Contribution 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 after December 31, 2015. The allowance on contributions and grants receivable is based on specific identification of potential uncollectible pledges as well as past history of collection. Management believes that all receivable amounts are collectible as of year-end. For the years ended December 31, 2014 and 2013, there were no amounts written off as uncollectible receivables.

Donated Gifts and Services

Donated services are recognized as contributions in accordance with 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 years ended December 31, 2014 and 2013, the value of donated services and goods meeting the requirements for recognition in the financial statements was $41,387 and $12,632, respectively. 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.

During the years ended December 31, 2014 and 2013, the Organization received donated software and website costs with an estimated fair value of $303,475 and $-0- on the date of donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and cost in excess of $5,000 is capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to seven years.

Donations of assets are recorded at estimated fair market value. Prior to 2014, these assets were without implying a time restriction, therefore increasing unrestricted net assets at the fair market value in the year in which the assets were received unless the donor restricted the donated assets for a specific purpose. However, as described in Note 2, effective January 1, 2014, The Organization implemented a policy to classify the net book value of donated long-lived assets as temporarily restricted net assets. The restrictions on long-lived assets will be released as the assets are depreciated over their useful life.

Depreciation expense charged to operations for the years ended December 31, 2014 and 2013 was $103,488 and $20,901, respectively.

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 years ended December 31, 2014 and 2013.

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. Salaries, benefits and payroll tax expense are allocated to programs, management and general activities and fundraising based on time recorded and classified by employees. All other expense is allocated to activities based on direct costs to those activities.

Accrued Vacation

Employees earn between 80 and 200 hours of paid time off (PTO) each year and may carry over up to two times their annual PTO accrual rate. Accrued hours carried over from year to year are recorded as accrued wages payable at year-end. As of December 31, 2014 and 2013, total accrued PTO is $48,075 and $39,049, respectively, which is included as a component of accrued liabilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Organization may use advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. The Organization had advertising costs of $14,370 and $2,005 for the years ended December 31, 2014 and 2013, respectively.

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)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

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, 2010 and prior.

Reclassifications

Certain reclassifications have been made to the prior year balances in order to conform to the current year presentation. The reclassifications had no effect on previously reported change in net assets or net asset balances.

Subsequent Events

Management evaluated subsequent events through May 8, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to May 8, 2015, that provided additional evidence about conditions that existed at December 31, 2014 have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014, 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, 2014.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2014, there was a change in the method of accounting relating to how revenue from donated long-lived assets is classified in net asset categories. The effect of this change was to classify the net book value of donated long-lived assets as temporarily restricted net assets. The restrictions on long-lived assets will be released as the assets are depreciated over their useful life. There was no retroactive effect of this change in policy. The Organization classified $220,287 in temporarily restricted net assets related to donated long-lived assets for the year ended December 31, 2014.

NOTE 3 – CONTRIBUTION AND GRANTS RECEIVABLE

Contribution and Grants Receivable are expected to be collected as follows:

	2014	2013
Amounts due in		
2014	$ N/A	$ 383,969
2015	690,075	200,000
2016	150,000	150,000
2017	100,000	100,000
Gross contribution and grants receivable	940,075	833,969
Less: Discount (3.25%) on receivable	(16,210)	-
Net Contribution and Grants Receivable	$ 923,865	$ 833,969

NOTE 4 – SEVERANCE ACCRUAL

The Organization 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, 2014 was $20,859 and $18,997, respectively, and as of December 31, 2013 was $48,522 and $1,362, respectively. The severance accrual is reported in the accrued liabilities line on the statements of financial position. This represents management's estimate of the severance liability due to current employees upon cessation of employment.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The Organization receives contributions from various corporations, organizations, and individuals, which are temporarily restricted. At December 31, 2014 and 2013, temporarily restricted net assets are comprised of contributions related to future periods and contributions with a specific purpose as follows:

	2014	2013
Time restrictions	$ 923,865	$ 700,000
Haiti	620,985	244,574
Donated Software	220,287	-
Indonesia	185,779	5,799
Philippines	118,036	34,820
Latin America	117,061	235,550
Total	$ 2,185,993	$ 1,220,743

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Restrictions Released

Net assets released from restrictions were as follows for the years ended December 31:

	2014	2013
Time restrictions	$ 266,210	$ 525,000
Purpose restrictions	503,682	-
Total	$ 769,892	$ 525,000

NOTE 6 – OPERATING LEASE

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

2015	$ 85,442
2016	33,322
2017	33,957
2018	34,472
2019	17,322
Total	$ 204,515

Rental expense related to operating leases was $96,111 and $81,022 for the years ended December 31, 2014 and 2013.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

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

Cash

At certain times throughout the year, the Organization had certain cash equivalent amounts in excess of the federally insured amounts for depository accounts. At December 31, 2014 and 2013, the amounts in excess of FDIC limits were $310,869 and $174,125, respectively. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on these balances.

Cash and investments held in foreign banks totaling $291,050 and $110,678 are uninsured and subject to credit risk and foreign currency risk as of December 31, 2014 and 2013, respectively. The Organization manages foreign currency risk by transferring cash to international accounts for immediate operating needs on a monthly basis.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Contribution and Grants Receivable

At December 31, 2014 and 2013, approximately 100% and 76% of the Organization's receivables were due from four parties and three parties, respectively. For the years ended December 31, 2014 and 2013, approximately 52% and 67% of the Organization's total revenue was concentrated with two parties.

NOTE 8 – CONTINGENCIES

Based on the nature of the Organization's operations in post-disaster settings where funding may vary widely from one period to the next, the Organization must continually assess the amount of funding available for each of its programs and make contingency plans to work within the funds available.

In addition, the Organization has received several grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Management believes disallowances, if any, will be immaterial in relation to the Organization's financial statements.

NOTE 9 – RELATED PARTY TRANSACTIONS

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

During the years ending December 31, 2014 and 2013, payments were made to two Board members totaling $224,692 and $204,986, respectively, for general and administrative services. As of December 31, 2014 and 2013, $5,833 and $154 is included in due to related party to one of these Board members.

A Board member that serves on the Organization's Board of Directors is affiliated with Risk Management Solutions (RMS). Total revenue recognized from RMS for the years ended December 31, 2014 and 2013 was $-0- and $1,000,000, respectively. As of December 31, 2014 and 2013, there was $450,000 and $650,000 included in accounts receivable from RMS, respectively.

SUPPLEMENTARY INFORMATION

BUILD CHANGE
Cost of Programs Schedule - Unaudited
For the Year Ended December 31, 2014

	Indonesia	Technical Consulting	Haiti	Latin America	Philippines	Total Program Expenses
Salaries and wages	$ 273,405	$ 51,724	$ 1,097,728	$ 143,173	$ 169,610	$ 1,735,640
Employee benefits	86,118	5,547	248,225	28,238	20,061	388,189
Payroll taxes	10,216	2,708	117,571	5,453	7,949	143,897
Professional services	12,486	1,942	71,588	59,749	18,634	164,399
Office supplies and expenses	16,882	2,630	131,919	7,998	11,573	171,002
Rent, facilities and equipment	12,060	1,544	123,544	20,184	15,395	172,727
Depreciation	17,842	37	75,650	9,796	161	103,486
IT services and computer expenses	3,761	524	49,064	3,300	9,386	66,035
Travel and meetings	28,057	8,262	87,820	48,708	77,191	250,038
General business expenses	10,871	432	20,259	2,423	4,188	38,173
Training supplies and equipment	16,171	5	74,066	169	2,159	92,570
Training and outreach materials	5,790	29	9,229	1,927	-	16,975
Transport and freight	14,101	1,981	273,104	11,731	5,357	306,274
Housing subsidies	-	-	113,891	-	-	113,891
TOTAL EXPENSES	$ 507,760	$ 77,365	$ 2,493,658	$ 342,849	$ 341,664	$ 3,763,296

For purposes of management's program analysis, management allocates indirect management and fundraising costs to certain programs based on their level of expenditure for the year.

BUILD CHANGE
Cost of Programs Schedule - Unaudited
For the Year Ended December 31, 2013

	Indonesia	Technical Consulting	Haiti	Latin America	Philippines	Total Program Expenses
Salaries and wages	$ 481,829	$ 17,732	$ 755,947	$ 2,990	$ 12,564	$ 1,271,062
Employee benefits	129,961	2,263	128,571	461	1,567	262,823
Payroll taxes	21,119	1,519	63,893	154	1,026	87,711
Professional services	28,806	4,050	41,395	4,291	650	79,192
Office supplies and expenses	61,776	678	66,757	164	414	129,789
Rent, facilities and equipment	28,213	283	116,496	101	242	145,335
Depreciation	969	19	19,890	7	16	20,901
IT services and computer expenses	4,037	56	5,303	20	686	10,102
Travel and meetings	52,903	537	56,383	1,487	5,991	117,301
General business expenses	10,307	244	18,894	87	255	29,787
Training supplies and equipment	155,401	-	26,705	-	-	182,106
Training and outreach materials	48,361	-	10,547	-	-	58,908
Transport and freight	31,989	506	156,639	181	433	189,748
TOTAL EXPENSES	$ 1,055,671	$ 27,887	$ 1,467,420	$ 9,943	$ 23,844	$ 2,584,765

For purposes of management's program analysis, management allocates indirect management and fundraising costs to certain programs based on their level of expenditure for the year.

SINGLE AUDIT REPORTS AND SCHEDULES

BUILD CHANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Agency/Program Grant Title	Federal CFDA Number	Federal Expenditures
U.S. Agency for International Development		
Direct USAID Foreign Assistance for Programs Overseas	98.001	$ 188,945
Total Federal Financial Assistance		$ 188,945

BUILD CHANGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2014

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards includes the activity of all federal financial assistance programs of Build Change for the year ended December 31, 2014.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Build Change
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Build Change, which comprise the statement of financial position as of December 31, 2014, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Build Change's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Build Change's internal control. Accordingly, we do not express an opinion on the effectiveness of Build Change's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002, which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Build Change's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Build Change's Response to Findings

Build Change's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Build Change's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 8, 2015

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program, on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Build Change
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited Build Change's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Build Change's major federal program for the year ended December 31, 2014. Build Change's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Build Change's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Build Change's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Build Change's compliance.

Opinion on Each Major Federal Program

In our opinion, Build Change complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

Build Change's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Build Change's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Build Change is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Build Change's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Build Change's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-003 that we consider to be a significant deficiency.

Build Change's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. Build Change's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 8, 2015

BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2014

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ☒ yes ☐ no

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ yes ☐ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
98.001	Direct USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between type A and type B programs $300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

2014-001: Revenue Recognition and Net Asset Classification

Internal Control over Financial Reporting, Significant Deficiency

Criteria:

The Organization should ensure that all revenue related to grants and contracts is properly recorded and classified within the proper net asset categories.

Condition:

The Organization receives revenue from unconditional grants, donor-imposed conditional grants and fee-for-service contract arrangements that are considered exchange transactions. Revenue recognized for each of these transactions varies as follows:

- Revenue from unconditional grants is required to be recognized as revenue at the time a commitment is received from the grantor.
- Revenue related to donor-imposed conditional grants is required to be recognized as revenue at the time the conditions are substantially met.
- Revenue from exchange transactions is recognized as it is earned. Cash payments received in advance of the performance of services deemed to be exchange transactions should be recorded as deferred revenue.
- Grant revenue that is restricted by donors should be reported as an increase in temporarily restricted net assets and reclassified to unrestricted net assets when restrictions are satisfied.

During the course of the audit, the following audit adjustments were recorded to properly record revenue:

- $415,128 in additional revenue for conditions met that no longer prevented revenue recognition
- $28,802 in deferred revenue for funds received but not earned
- $769,892 of net asset releases and $1,746,241 of net asset additions were not tracked. We assisted in preparing this information.

Context:

Total revenue prior to booking the proposed adjustments was $3,890,008 and deferred revenue was $-0-. Audit adjustments of $415,128 of additional revenue and $28,802 of additional deferred revenue were required to properly state revenue and deferred revenue. In addition, $769,892 of net asset releases and $1,746,241 of net asset additions were added to the net asset schedule to properly present the activity in the statement of net assets.

Effect:

The risk of material misstatement increases if proper controls over revenue recognition are not in place.

Recommendation:

We recommend the Organization develop a system to track the various types of revenue it receives. This system should first determine if the transaction is exchange versus a nonexchange/contribution transaction. Once this is determined, the Organization should apply the proper revenue recognition to each transaction. Lastly, the system should track the activity for each net asset category for contribution revenue transactions with donor-imposed conditions (time or purpose).

Views of Responsible Officials and Planned Corrective Actions:

Build Change will develop a program in 2015 that enables it to keep an accurate and timely record of all types of revenue received to ensure proper revenue recognition and proper classification of revenue subject to donor-imposed restrictions.

Build Change Contact:

Tim Louis, Director of Finance and Administration, 303-963-5312
535 16th Street
Denver, Colorado 80202

Corrective Action Date: May 2015

2014-002: Lack of Segregation of Duties

Internal Control over Financial Reporting, Significant Deficiency

Criteria:

The Organization should ensure that there is adequate segregation of duties among its internal control processes.

Condition:

A fundamental concept in a strong system of internal control is the separation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting risk that intentional fraud or unintentional errors could occur and not be detected.

Context:

During our audit procedures we noted that the Director of Finance and Administration (DFA) had access to all phases of the general disbursement cycle, including wire transfers, by being able to initiate and approve journal entries and initiate and authorize disbursements.

Effect:

Unsupported and inappropriate journal entries and disbursements could be initiated and authorized without being detected.

Recommendation:

We recommend that the Organization separate duties (including limiting access within the information system) among the administrative assistant and the DFA. Specifically, the DFA should be responsible for reviewing and approving financial transactions while the administrative assistant should be responsible for initiating journal entries and disbursements.

Views of Responsible Officials and Planned Corrective Actions:

Build Change hired a new administrative assistant in September 2014 whose responsibilities include initiating a majority of entries and disbursements. In 2015, Build Change will establish formal policies whereby the administrative assistant, along with other financial and administrative assistants at each of the country programs, will be responsible for initiating entries and disbursements, and the DFA will be responsible for reviewing and approving entries and disbursements. These new policies were put in place in the first quarter of 2015.

Build Change Contact:

Tim Louis, Director of Finance and Administration, 303-963-5312
535 16th Street
Denver, Colorado 80202

Corrective Action Date: May 2015

Section III – Federal Award Findings and Questioned Costs

2014-003: Reporting

Noncompliance, Significant Deficiency

Program:

Build Capacity in Aceh to Rebuild Safe Houses, Improve Livelihoods and Increase Resilience. CFDA 98.001

Criteria:

Section 1.5 (2) of the grant agreement requires that the Organization submit a host government tax report to USAID for the year ended September 30 by April 16 of the following year.

Condition:

The Organization must submit the report even if the Organization did not pay taxes or receive any reimbursements during the reporting period. The report requires the Organization to submit its name, a contact, the federal grant agreement number, the total amount of value-added taxes and customs duties assessed by the host government on purchases in excess of $500 per transaction of supplies, materials, goods or equipment using funds provided under this contract/grant.

Context:

The host government taxes report was not submitted.

Questioned Costs:

None

<u>Possible Asserted Effect</u>:

The organization was not in compliance with the grant award, which could lead to reduced funding by the federal agency.

<u>Cause</u>:

There was no internal control in place to ensure this required report was submitted.

<u>Recommendation</u>:

We recommend the Organization implement a control process to ensure that the Organization is in compliance with reporting requirements. This should ensure that all reporting requirements and deadlines specified by the grant are identified.

<u>Views of Responsible Officials and Planned Corrective Actions</u>:

Build Change was unaware that the report for the year ended September 30, 2013 had to be filed given that there had been no purchases that year that qualified for inclusion on this report. Build Change did submit the report for the year ended September 30, 2014 by the report's due date of April 16, 2015. Build Change will establish a policy of tracking all reporting requirements upon commencement of any new grants received.

<u>Build Change Contact</u>:

Tim Louis, Director of Finance and Administration, 303-963-5312
535 16th Street
Denver, Colorado 80202

Corrective Action Date: May 2015

BUILD CHANGE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2013

Section II – Financial Statement Findings

2013-001: Accrued Vacation

Internal Control over Financial Reporting, Significant Deficiency

Condition:

The Organization offers vacation benefits to its employees, a portion of which may be accumulated and carried from one year to the next. The amount of earned and unused vacation time by employees is a liability to the Organization. This liability was not identified and recorded in the general ledger by the Organization. As a result, an audit adjustment for $39,049 was proposed and recorded.

Status:

Resolved

Section III – Federal Award Findings and Questioned Costs

2013-002: Cash Management

Internal Control over Compliance, Significant Deficiency

Condition:

There were no documented controls in place to review the preparation of the required cash reimbursement requests to ensure that all costs were paid prior to the reimbursement and funds were not being overdrawn. We noted no noncompliance in cash management, but internal controls should be in place to prevent future noncompliance.

Status:

Resolved