BUILD CHANGE

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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, 2016 and 2015, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
April 10, 2018

BUILD CHANGE
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	$ 90,338	$ 331,809
Accounts receivable	696,752	258,211
Contributions and grants receivable - short-term	1,627,048	1,042,730
Prepaid expenses	24,768	27,204
Total current assets	2,438,906	1,659,954
PROPERTY AND EQUIPMENT		
Equipment and furniture	399,771	399,771
Less accumulated depreciation	(375,451)	(265,547)
Total property and equipment	24,320	134,224
OTHER LONG-TERM ASSETS		
Contributions and grants receivable - long-term	796,940	94,401
Deposits	19,030	18,847
Total other long-term assets	815,970	113,248
Total long-term assets	840,290	247,472
TOTAL ASSETS	$ 3,279,196	$ 1,907,426

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 111,815	$ 8,971
Related party payable	10,000	-
Line of credit	40,331	-
Credit cards payable	29,706	25,487
Accrued liabilities	199,182	167,852
Total current liabilities	391,034	202,310
NET ASSETS		
Unrestricted	174,168	384,981
Temporarily restricted	2,713,994	1,320,135
Total net assets	2,888,162	1,705,116
TOTAL LIABILITIES AND NET ASSETS	$ 3,279,196	$ 1,907,426

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

BUILD CHANGE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	$ 2,163,999	$ 2,472,690	$ 4,636,689
Contract income	2,078,976	-	2,078,976
Foreign exchange gain (loss)	(14,470)	-	(14,470)
Interest income	255	-	255
Net assets released from restrictions	1,078,831	(1,078,831)	-
Total revenues and support	5,307,591	1,393,859	6,701,450
EXPENSES			
Program services			
Indonesia	218,420	-	218,420
Innovations	125,365	-	125,365
Haiti	2,330,714	-	2,330,714
Latin America	291,811	-	291,811
Philippines	269,004	-	269,004
Nepal	1,132,451	-	1,132,451
Total program services	4,367,765	-	4,367,765
MANAGEMENT AND GENERAL			
Fundraising	670,495	-	670,495
General and administrative	480,144	-	480,144
Total management and general	1,150,639	-	1,150,639
Total expenses	5,518,404	-	5,518,404
INCREASE (DECREASE) IN NET ASSETS	(210,813)	1,393,859	1,183,046
NET ASSETS - BEGINNING OF YEAR	384,981	1,320,135	1,705,116
NET ASSETS - END OF YEAR	$ 174,168	$ 2,713,994	$ 2,888,162

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

BUILD CHANGE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	$ 3,247,243	$ 896,906	$ 4,144,149
Contract income	877,820	-	877,820
Foreign exchange gain (loss)	1,090	-	1,090
Interest income	553	-	553
Net assets released from restrictions	1,762,704	(1,762,704)	-
Total revenues and support	5,889,410	(865,798)	5,023,612
EXPENSES			
Program services			
Indonesia	382,636	-	382,636
Innovations	94,860	-	94,860
Haiti	3,327,724	-	3,327,724
Latin America	291,366	-	291,366
Philippines	340,394	-	340,394
Nepal	227,232	-	227,232
Total program services	4,664,212	-	4,664,212
MANAGEMENT AND GENERAL			
Fundraising	529,214	-	529,214
General and administrative	398,866	-	398,866
Total management and general	928,080	-	928,080
Total expenses	5,592,292	-	5,592,292
INCREASE (DECREASE) IN NET ASSETS	297,118	(865,798)	(568,680)
NET ASSETS - BEGINNING OF YEAR	87,863	2,185,933	2,273,796
NET ASSETS - END OF YEAR	$ 384,981	$ 1,320,135	$ 1,705,116

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

BUILD CHANGE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Indonesia	Innovations	Haiti	Latin America	Philippines	Nepal	Total Program Expenses	Fundraising	General and Administrative	Total
Salaries and wages	$ 101,776	$ 59,973	$ 952,640	$ 140,935	$ 146,738	$ 363,034	$ 1,765,096	$ 468,578	$ 250,792	$ 2,484,466
Employee benefits	37,708	11,692	230,737	49,508	42,754	162,925	535,324	66,901	21,151	623,376
Payroll taxes	265	4,824	52,866	8,883	4,077	25,004	95,919	38,399	21,360	155,678
Professional services	1,163	8,348	48,280	21,391	1,580	140,358	221,120	4,787	43,775	269,682
Office supplies and expenses	5,642	1,255	97,133	4,650	9,158	39,955	157,793	14,200	14,532	186,525
Rent, facilities, and equipment	6,483	3,575	118,343	10,344	26,753	75,752	241,250	10,742	40,943	292,935
Depreciation	20,262	-	73,766	11,375	-	-	105,403	-	4,501	109,904
IT services and computer expenses	4,335	4,636	19,840	6,932	2,052	47,194	84,989	8,733	10,008	103,730
Travel and meetings	7,926	27,419	44,587	21,177	22,083	72,126	195,318	43,824	37,193	276,335
General business expenses	1,526	-	8,273	1,605	2,249	5,018	18,671	852	32,464	51,987
Training supplies and equipment	17,374	15	32,481	11,592	798	46,866	109,126	971	-	110,097
Training and outreach materials	1,602	-	11,602	321	1,689	56,363	71,577	222	-	71,799
Transport and freight	12,358	3,628	221,462	3,064	9,073	97,856	347,441	12,286	3,425	363,152
Housing subsidies	-	-	418,704	34	-	-	418,738	-	-	418,738
TOTAL EXPENSES	$ 218,420	$ 125,365	$ 2,330,714	$ 291,811	$ 269,004	$ 1,132,451	$ 4,367,765	$ 670,495	$ 480,144	$ 5,518,404

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

BUILD CHANGE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Indonesia	Innovations	Haiti	Latin America	Philippines	Nepal	Total Program Expenses	Fundraising	General and Administrative	Total
Salaries and wages	$ 163,909	$ 45,782	$ 893,980	$ 150,408	$ 196,465	$ 83,328	$ 1,533,872	$ 366,600	$ 200,114	$ 2,100,586
Employee benefits	69,505	10,755	274,937	42,710	43,527	26,675	468,109	49,856	19,546	537,511
Payroll taxes	6,136	2,914	106,238	3,657	5,674	2,957	127,576	18,843	14,858	161,277
Professional services	406	187	3,950	17,869	560	13,410	36,382	5,698	44,170	86,250
Office supplies and expenses	10,621	2,540	85,927	3,577	11,153	10,861	124,679	34,515	18,379	177,573
Rent, facilities, and equipment	7,529	-	88,207	16,699	32,208	27,713	172,356	3,023	36,773	212,152
Depreciation	20,731	-	76,732	11,375	-	-	108,838	-	6,217	115,055
IT services and computer expenses	4,560	6,229	30,810	6,406	1,475	15,799	65,279	9,681	10,469	85,429
Travel and meetings	21,588	23,916	17,821	21,825	21,532	33,690	140,372	35,628	24,670	200,670
General business expenses	1,019	2,057	(6,367)	13,884	3,532	1,599	15,724	300	23,334	39,358
Training supplies and equipment	14,033	-	75,751	174	16,521	1,239	107,718	-	-	107,718
Training and outreach materials	44,134	60	27,420	660	606	9	72,889	7	-	72,896
Transport and freight	18,465	420	294,162	2,122	7,141	9,952	332,262	5,063	336	337,661
Housing subsidies	-	-	1,358,156	-	-	-	1,358,156	-	-	1,358,156
TOTAL EXPENSES	$ 382,636	$ 94,860	$ 3,327,724	$ 291,366	$ 340,394	$ 227,232	$ 4,664,212	$ 529,214	$ 398,866	$ 5,592,292

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

BUILD CHANGE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 1,183,046	$ (568,680)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	109,904	115,055
Effects of changes in operating assets and liabilities:		
Accounts, donations and grants receivable	(1,725,398)	(332,987)
Prepaid expenses	2,436	(9,442)
Deposits	(183)	1,707
Accounts payable (including due to related party)	102,844	(8,792)
Credit card payable	4,219	6,240
Accrued liabilities	31,330	54,053
Deferred revenue	-	(28,802)
Net cash used by operating activities	(291,802)	(771,648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party payable	10,000	-
Borrowings on line of credit	120,658	-
Payments on line of credit	(80,327)	-
Net cash provided by financing activities	50,331	-
NET DECREASE IN CASH	(241,471)	(771,648)
CASH, BEGINNING OF YEAR	331,809	1,103,457
CASH, END OF YEAR	$ 90,338	$ 331,809
NONCASH TRANSACTIONS - INVESTING ACTIVITIES		
Donated software and website development services	$ -	$ 12,153

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 in the United States of America 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 statements of activities 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 revenue” on the 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 $14,470 for the year ended December 31, 2016 and a foreign exchange gain of $1,090 for the year ended December 31, 2015.

Cash and Cash Equivalents

For purpose of 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, 2017. 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 2016 and 2015, 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 2016 and 2015, the value of donated services and goods meeting the requirements for recognition in the financial statements was $49,745 and $40,858, 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.

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. The net book values of these donated long-lived assets are classified as temporarily restricted net asset. The restrictions on long-lived assets will be released as the assets are depreciated over their useful life.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense charged to operations for the years ended December 31, 2016 was $109,904 and $115,055, 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, 2016 and 2015.

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, 2016 and 2015, total accrued PTO is $57,010 and $62,009, respectively, which is included as a component of accrued liabilities.

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 $23,472 and $18,814 for the years ended December 31, 2016 and 2015, 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Generally Accepted Accounting Principles in the United States of America, 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.

Subsequent Events

The Organization has evaluated subsequent events from the statement of financial position date through April 10, 2018, the date at which the financial statements were available to be issued.

NOTE 2 – CONTRIBUTION AND GRANTS RECEIVABLE

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

	2016	2015
Amounts due in		
2016	N/A	$ 1,042,730
2017	$ 1,627,048	100,000
2018	632,567	-
2019	215,863	-
Gross contribution and grants receivable	2,475,478	1,142,730
Less: Discount (3.75% and 3.50%, respectively) on receivable	(51,490)	(5,599)
Net Contribution and Grants Receivable	$ 2,423,988	$ 1,137,131

NOTE 3 – 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, 2016 was $20,043 and $41,718, respectively, and as of December 31, 2015 was $37,061 and $24,547, 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 4 – TEMPORARILY RESTRICTED NET ASSETS

The Organization receives contributions from various corporations, organizations, and individuals, which are temporarily restricted. At December 31, 2016 and 2015, temporarily restricted net assets are comprised of contributions related to future periods and contributions with a specific purpose as follows:

	2016	2015
Time restrictions	$ 1,620,292	$ 622,125
Haiti	486,159	310,376
Indonesia	421,639	18,165
Nepal	95,019	47,394
Latin America	39,970	46,495
Philippines	34,611	158,118
Donated software	16,304	117,462
Total	$ 2,713,994	$ 1,320,135

Restrictions Released

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

	2016	2015
Time restrictions	$ 498,283	$ 673,865
Purpose restrictions	580,548	1,088,839
Total	$ 1,078,831	$ 1,762,704

NOTE 5 – 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:

2017	$ 112,324
2018	43,171
2019	17,322
Total	$ 172,817

Rental expense related to operating leases was $162,715 and $129,533 for the years ended December 31 2016 and 2015.

NOTE 6 – 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. 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 $72,066 and $241,186 are uninsured and subject to credit risk and foreign currency risk as of December 31, 2016 and 2015, respectively. The Organization manages foreign currency risk by transferring cash to international accounts for immediate operating needs on a monthly basis.

Contribution and Grants Receivable

At December 31, 2016 and 2015, approximately 52% and 74% of the Organization’s receivables were due from two parties and four parties, respectively. For the years ended December 31, 2016 and 2015, approximately 32% and 50% of the Organization’s total revenue was concentrated with two parties and one party, respectively.

NOTE 7 – 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 8 – COMMITMENTS

The Organization maintains a line of credit with a bank with maximum borrowings of up to $40,000. Borrowing on the line of credit accrual interest at a rate of 10.5%. At December 31, 2016 and 2015, the Organization had $40,000 and $-0-, respectively, outstanding cash borrowing on the line of credit.

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, 2016 and 2015, payments were made to one Board member totaling $154,550 and $155,888, respectively, for general and administrative services.

During 2016, a board member loaned the organization $10,000, the amount was outstanding as of December 31, 2016. The loan is required to be paid in full by January 29, 2017. If the amount is not paid in full by January 29, 2017, the unpaid principal will accrue interest at a rate of 10.5 percent.

Contributions from board members during the years ending December 31, 2016 and 2015 totaled $61,200 and $32,214, respectively.

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, 2016 and 2015 was $110,000 and $16,200, respectively. As of December 31, 2016 and 2015, there was $100,000 and $250,000 included in accounts receivable from RMS, respectively.