

**BUILD CHANGE**  
Denver, Colorado

**FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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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, 2013 and 2012, 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, 2013 and 2012, and the changes in its net assets, functional expenses, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, 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.

*CliftonLarsonAllen LLP*

Denver, Colorado  
July 31, 2014

**BUILD CHANGE**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2013 and 2012

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 789,413	\$ 824,913
Accounts receivable	218,935	354,795
Contributions and grants receivable - short-term	383,969	475,000
Prepaid expenses	<u>17,679</u>	<u>24,162</u>
Total current assets	<u>1,409,996</u>	<u>1,678,870</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment and furniture	96,296	93,389
Less accumulated depreciation	<u>(47,004)</u>	<u>(26,102)</u>
Total property and equipment	<u>49,292</u>	<u>67,287</u>
<b>OTHER LONG-TERM ASSETS</b>		
Donations and grants receivable - long-term	450,000	50,000
Deposits	<u>8,594</u>	<u>6,036</u>
Total other long-term assets	<u>458,594</u>	<u>56,036</u>
Total long-term assets	<u>507,886</u>	<u>123,323</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,917,882</u>	<u>\$ 1,802,193</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,617	17,965
Due to related party	154	17,750
Credit cards payable	14,574	13,411
Accrued liabilities	<u>135,099</u>	<u>122,496</u>
Total liabilities - all current	<u>153,444</u>	<u>171,622</u>
<b>NET ASSETS</b>		
Unrestricted	543,695	1,055,571
Temporarily restricted	<u>1,220,743</u>	<u>575,000</u>
Total net assets	<u>1,764,438</u>	<u>1,630,571</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,917,882</u>	<u>\$ 1,802,193</u>

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 1,314,010	\$ 1,170,743	\$ 2,484,753
Contract income	231,277	-	231,277
Interest income	2,602	-	2,602
Net assets released from restrictions	<u>525,000</u>	<u>(525,000)</u>	<u>-</u>
Total revenues and support	<u>2,072,889</u>	<u>645,743</u>	<u>2,718,632</u>
<b>EXPENSES</b>			
Program services			
Indonesia	775,836	-	775,836
Technical consulting	21,220	-	21,220
Latin America	6,265	-	6,265
Philippines	18,735	-	18,735
Haiti	<u>1,027,625</u>	<u>-</u>	<u>1,027,625</u>
Total program services	<u>1,849,681</u>	<u>-</u>	<u>1,849,681</u>
<b>MANAGEMENT AND GENERAL</b>			
Fundraising	322,270	-	322,270
General and administrative	<u>412,814</u>	<u>-</u>	<u>412,814</u>
Total management and general	<u>735,084</u>	<u>-</u>	<u>735,084</u>
Total expenses	<u>2,584,765</u>	<u>-</u>	<u>2,584,765</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(511,876)	645,743	133,867
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,055,571</u>	<u>575,000</u>	<u>1,630,571</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 543,695</u>	<u>\$ 1,220,743</u>	<u>\$ 1,764,438</u>

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

**BUILD CHANGE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 2,512,371	\$ 225,000	\$ 2,737,371
Contract income	540,314	-	540,314
Interest income	1,015	-	1,015
Loss on disposal of fixed assets	(2,745)	-	(2,745)
Net assets released from restrictions	<u>450,000</u>	<u>(450,000)</u>	<u>-</u>
Total revenues and support	<u>3,500,955</u>	<u>(225,000)</u>	<u>3,275,955</u>
<b>EXPENSES</b>			
Program services			
Indonesia	400,132	-	400,132
Technical consulting	32,969	-	32,969
Haiti	<u>2,778,374</u>	<u>-</u>	<u>2,778,374</u>
Total program services	<u>3,211,475</u>	<u>-</u>	<u>3,211,475</u>
<b>MANAGEMENT AND GENERAL</b>			
Fundraising	161,611	-	161,611
General and administrative	<u>295,778</u>	<u>-</u>	<u>295,778</u>
Total management and general	<u>457,389</u>	<u>-</u>	<u>457,389</u>
Total expenses	<u>3,668,864</u>	<u>-</u>	<u>3,668,864</u>
<b>DECREASE IN NET ASSETS</b>	(167,909)	(225,000)	(392,909)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,223,480</u>	<u>800,000</u>	<u>2,023,480</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,055,571</u>	<u>\$ 575,000</u>	<u>\$ 1,630,571</u>

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

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

	<u>Indonesia</u>	<u>Technical Consulting</u>	<u>Haiti</u>	<u>Latin America</u>	<u>Philippines</u>	<u>Total Program Expenses</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
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	49,653	358	49,906	50	140	100,107	12,150	17,532	129,789
Rent, facilities and equipment	17,482	-	101,580	-	-	119,062	84	26,189	145,335
Depreciation	256	-	18,898	-	-	19,154	-	1,748	20,902
IT services and computer expenses	1,911	-	2,348	-	638	4,897	550	4,656	10,103
Travel and meetings	32,565	-	28,113	1,296	5,531	67,505	27,039	22,757	117,301
General business expenses	1,080	-	6,068	-	47	7,195	138	22,454	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	3,287	189,746
Headquarters administration fees	110,684	3,649	103,039	-	3,711	221,083	(110,484)	(110,599)	-
<b>TOTAL EXPENSES</b>	<u>\$ 775,836</u>	<u>\$ 21,220</u>	<u>\$ 1,027,625</u>	<u>\$ 6,265</u>	<u>\$ 18,735</u>	<u>\$ 1,849,681</u>	<u>\$ 322,270</u>	<u>\$ 412,814</u>	<u>\$ 2,584,765</u>

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



**BUILD CHANGE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2012**

	<u>Indonesia</u>	<u>Technical Consulting</u>	<u>Haiti</u>	<u>Total Program Expenses</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 153,890	\$ 26,496	\$ 1,101,662	\$ 1,282,048	\$ 228,424	\$ 110,950	\$ 1,621,422
Employee benefits	30,380	1,287	253,155	284,822	18,960	27,778	331,560
Payroll taxes	58	2,277	200,941	203,276	15,861	9,411	228,548
Professional services	20	-	153,862	153,882	8,130	135,548	297,560
Office supplies and expenses	28,187	-	97,567	125,754	7,451	72,835	206,040
Rent, facilities and equipment	10,096	-	170,693	180,789	-	21,916	202,705
Depreciation	256	-	15,081	15,337	-	1,377	16,714
IT services and computer expenses	1,396	1,283	10,102	12,781	150	3,684	16,615
Travel and meetings	18,800	1,192	22,028	42,020	15,931	24,711	82,662
General business expenses	536	-	5,737	6,273	150	22,142	28,565
Training supplies and equipment	75,212	-	22,616	97,828	-	-	97,828
Training and outreach materials	28,749	50	106,484	135,283	-	-	135,283
Transport and freight	2,121	-	400,113	402,234	1,128	-	403,362
Headquarters administration fees	50,431	384	218,333	269,148	(134,574)	(134,574)	-
<b>TOTAL EXPENSES</b>	<b>\$ 400,132</b>	<b>\$ 32,969</b>	<b>\$ 2,778,374</b>	<b>\$ 3,211,475</b>	<b>\$ 161,611</b>	<b>\$ 295,778</b>	<b>\$ 3,668,864</b>

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

**BUILD CHANGE**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 133,867	\$ (392,909)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	20,901	16,714
Proceeds from sale of property and equipment	-	5,000
Loss of disposal of property and equipment	-	2,745
Effects of changes in operating assets and liabilities:		
Accounts, donations and grants receivable	(173,109)	486,571
Prepaid expenses	6,483	(20,210)
Deposits	(2,558)	(2,521)
Donated equipment	-	(8,750)
Accounts payable (including due to related party)	(31,944)	22,398
Accrued liabilities	1,163	6,967
Accrued liabilities	12,603	361
Net cash provided (used) by operating activities	(32,594)	116,366
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,906)	(21,135)
<b>NET INCREASE (DECREASE) IN CASH</b>	(35,500)	95,231
<b>CASH, BEGINNING OF YEAR</b>	824,913	729,682
<b>CASH, END OF YEAR</b>	\$ 789,413	\$ 824,913
<b>NONCASH TRANSACTIONS</b>		
In-kind contributions	\$ 12,632	\$ 85,937

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

**BUILD CHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013 and 2012**

**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 Activities 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 contract revenue as it is earned and expenses as they are incurred.

**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.

**BUILD CHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign Exchange**

At December 31, 2013 and 2012, all of the Organization's grants receivable are payable to the Organization in U.S. dollars. The Organization recognized a foreign exchange gain (loss) of \$1,769 and \$0 for the years ended December 31, 2013 and 2012, respectively.

**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.

**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, 2014. Management believes that all receivable amounts are collectible as of year-end. For the years ended December 31, 2013 and 2012, 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 years ended December 31, 2013 and 2012, the value of donated professional engineering and legal services meeting the requirements for recognition in the financial statements was \$12,632 and \$77,187, 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, 2013 and 2012, the Organization received donated equipment with an estimated fair value of \$0 and \$8,750 on the date of donation.

**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 three to seven years.

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 years ended December 31, 2013 and 2012 was \$20,901 and \$16,714, respectively.

**BUILD CHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013 and 2012**

**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 years ended December 31, 2013 and 2012.

**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. While it is not possible to do so for all program activities based on the specific terms of certain grants or contracts, when it is, management allocates a portion of its indirect management and fundraising costs to certain programs based on their level of expenditure for the month and based on overall indirect costs experienced the prior year.

**Accrued Vacation**

Employees earn between 80 and 160 hours of paid time off each year and may carry over up to two times their annual vacation accrual rate. Accrued hours carried over from year to year are recorded as accrued wages payable at year-end. As of December 31, 2013 and 2012, total accrued vacation is \$39,049 and \$0, 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 \$2,005 and \$0 for the years ended December 31, 2013 and 2012, respectively.

**Fair Value of Financial Instruments**

The Organization's financial instruments include cash and cash equivalents, receivables and accounts payable. 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.

**BUILD CHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2009 and prior.

**Reclassifications**

Certain reclassifications have been made to the prior year balances in order to conform to the current year presentation.

**Subsequent Events**

Management evaluated subsequent events through July 31, 2014, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior to July 31, 2014, that provided additional evidence about conditions that existed at December 31, 2013 have been recognized in the financial statements for the year ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, 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, 2013.

**NOTE 2 – CONTRIBUTION AND GRANTS RECEIVABLE**

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

	<u>2013</u>	<u>2012</u>
Amounts due in		
2013	\$ N/A	\$ 475,000
2014	383,969	50,000
2015	200,000	-
2016	150,000	-
2017	<u>100,000</u>	<u>-</u>
<b>Total</b>	<u>\$ 833,969</u>	<u>\$ 525,000</u>

**BUILD CHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013 and 2012**

**NOTE 3 – 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, 2013 was \$48,522 and \$1,362, respectively, and as of December 31, 2012 was \$62,208 and \$37,475, 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. During 2013, the Organization revised its employee structure in Haiti, changing the status of employees from full time to independent contractors. This change resulted in a payout of approximately \$34,000 of the severance accrual to employees in Haiti in 2013.

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

The Organization receives contributions from various corporations, organizations, and individuals, which are temporarily restricted. At December 31, 2013 and 2012, temporarily restricted net assets are comprised of contributions related to future periods and contributions with a specific purpose as follows:

	<u>2013</u>	<u>2012</u>
Time restrictions	\$ 700,000	\$ 575,000
Latin America	235,550	-
Haiti	244,574	-
Philippines	34,820	-
Indonesia	<u>5,799</u>	<u>-</u>
<b>Total</b>	<u>\$ 1,220,743</u>	<u>\$ 575,000</u>

**Restrictions Released**

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

	<u>2013</u>	<u>2012</u>
Time restrictions	\$ 575,000	\$ 450,000

**BUILD CHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013 and 2012**

**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:

2014	\$ 28,728
2015	29,584
2016	33,100
2017	33,957
2018	34,472
Thereafter	<u>17,322</u>
<b>Total</b>	<b><u>\$ 177,163</u></b>

Rental expense related to operating leases was \$81,022 and \$83,366 for the years ended December 31, 2013 and 2012.

**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 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 \$108,910 and \$36,492 are uninsured and subject to credit risk and foreign currency risk as of December 31, 2013 and 2012, 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, 2013 and 2012, approximately 76% and 82% of the Organization's receivables were due from two parties and three parties, respectively. For the years ended December 31, 2013 and 2012, approximately 67% and 61% of the Organization's total revenue was concentrated with three parties and two parties, respectively.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

*Commitments*

In January 2014, the Organization entered a consulting agreement to provide training services. The agreement expires on June 30, 2014 with a total cost of \$28,800.



**BUILD CHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013 and 2012**

**NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*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 – 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 year ending December 31, 2013 and 2012, payments were made to two Board members totaling \$204,986 and \$215,050, respectively, for general and administrative services. As of December 31, 2013 and 2012, \$154 and \$17,750 is included in due to related party to one of these Board members.

A Board member that served on Build Change's Board of Directors is affiliated with Hilti Foundation (Hilti). This Board member resigned from the position on the Build Change Board in October 2013. Total revenue recognized from Hilti for the years ended December 31, 2013 and 2012 was \$125,000 and \$250,000, respectively. As of December 31, 2013 and 2012, there was \$0 and \$375,000 included in accounts receivable from Hilti, respectively.

A Board member that serves on Build Change's Board of Directors is affiliated with Risk Management Solutions (RMS). Total revenue recognized from RMS for the years ended December 31, 2013 and 2012 was \$1,000,000 and \$0, respectively. As of December 31, 2013 and 2012, there was \$650,000 and \$100,000 included in accounts receivable from RMS, respectively.

**NOTE 9 – SUBSEQUENT EVENTS**

In April 2014, the Organization entered into a lease agreement for their office in Denver, Colorado. The Organization's commitment under this lease is included in the future minimum lease payments (see Note 4).

This information is an integral part of the accompanying financial statements.

**SINGLE AUDIT REPORTS AND SCHEDULES**

**BUILD CHANGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2013**

<u>Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Agency for International Development</b>		
Direct USAID Foreign Assistance for Programs Overseas	98.001	\$ <u>81,055</u>
 Total Federal Financial Assistance		 \$ <u><u>81,055</u></u>

**BUILD CHANGE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2013**

**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, 2013.

**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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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, 2013, 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 July 31, 2014.

**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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-001, which we consider to be a significant deficiency.

**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.



Greenwood Village, Colorado  
July 31, 2014



**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and 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, 2013. 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, 2013.

## **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 2013-002 that we consider to be a significant deficiency.

## **Build Change's Response to Findings**

Build Change's response to the internal control over compliance 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.

## **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*

Greenwood Village, Colorado  
July 31, 2014



**BUILD CHANGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2013**

**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**

<b>Number(s)</b>	<b>Name of Federal Program or Cluster</b>
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

**BUILD CHANGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2013**

**Section II – Financial Statement Findings**

**2013-001: Accrued Vacation**

Internal Control over Financial Reporting, Significant Deficiency

**Criteria:**

The Organization should ensure that all expenses incurred but not paid as of year-end are properly accrued.

**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.

**Context:**

There was no liability recorded for unused vacation earned by employees as of December 31, 2013.

**Effect:**

An audit adjustment of \$39,049 was required to properly reflect accrued vacation as of December 31, 2013.

**Recommendation:**

The Organization should incorporate an adjustment for accrued vacation into its monthly and year-end close process. In addition, the Organization should perform an annual assessment during its year-end close to ensure all accrued liabilities are properly captured and recorded.

**Views of Responsible Officials and Planned Corrective Actions:**

Build Change will make the adjustment for accrued vacation part of its monthly close process.

**Build Change Contact:**

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

Corrective Action Date: July 2014

**BUILD CHANGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2013**

**Section III – Federal Award Findings and Questioned Costs**

**2013-002: Cash Management**

Internal Control over Compliance, Significant Deficiency

**Program:**

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

**Criteria:**

A strong internal control environment should include controls surrounding federal program compliance requirements to ensure that the Organization is in compliance with all applicable requirements.

**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.

**Context:**

Of one request for reimbursement tested, we were unable to locate evidence that the request for reimbursement was reviewed and approved.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Although no compliance errors were noted in our testing, errors in the drawdown process could occur if proper internal controls are not in place. For example, amounts could be requested from the federal agency for costs not yet incurred by the Organization.

**Cause:**

There was no internal control in place to review requests for reimbursement.

**Recommendation:**

We recommend the Organization implement a documented review control process to ensure that the Organization is in compliance with cash management requirements. This review should ensure that funds requested represent allowable costs incurred by the Organization that have not been previously requested from the federal agency.

**Views of Responsible Officials and Planned Corrective Actions:**

Build Change feels that because all of the amounts contained in the requests for reimbursements are based on amounts from the quarterly financial reports that were reviewed, that this was a sufficient level of control. However, Build Change will implement a policy to ensure that an individual other than the preparer reviews requests for reimbursement prior to submission.

**BUILD CHANGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2013**

**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Build Change Contact:**

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

Corrective Action Date: July 2014

**BUILD CHANGE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended December 31, 2012**

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.