

BUILD CHANGE
Denver, Colorado

FINANCIAL STATEMENTS

December 31, 2015 and 2014

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	15
Cost of Programs Schedule - Unaudited	16
Single Audit Reports and Schedules	18
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
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 <i>Government Auditing Standards</i>	21
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, Required by the Uniform Guidance	23
Schedule of Findings and Questioned Costs	26
Summary Schedule of Prior Year Audit Findings	33

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, 2015 and 2014, 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, 2015 and 2014, 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 audit was 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 relates directly to the underlying accounting and other records used to prepare the basic 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 basic 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 16 and 17, 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 April 24, 2017, 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

Greenwood Village, Colorado
April 24, 2017

BUILD CHANGE
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	\$ 331,809	\$ 1,103,457
Accounts receivable	258,211	138,490
Contributions and grants receivable - short-term	1,042,730	690,075
Prepaid expenses	27,204	17,762
Total current assets	1,659,954	1,949,784
PROPERTY AND EQUIPMENT		
Equipment and furniture	399,771	399,771
Less accumulated depreciation	(265,547)	(150,492)
Total property and equipment	134,224	249,279
OTHER LONG-TERM ASSETS		
Contributions and grants receivable - long-term	94,401	233,790
Deposits	18,847	20,554
Total other long-term assets	113,248	254,344
Total long-term assets	247,472	503,623
TOTAL ASSETS	\$ 1,907,426	\$ 2,453,407

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 8,971	11,930
Due to related party	-	5,833
Credit cards payable	25,487	19,247
Accrued liabilities	167,852	113,799
Deferred Revenue	-	28,802
Total current liabilities	202,310	179,611
NET ASSETS		
Unrestricted	384,981	87,863
Temporarily restricted	1,320,135	2,185,933
Total net assets	1,705,116	2,273,796
TOTAL LIABILITIES AND NET ASSETS	\$ 1,907,426	\$ 2,453,407

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

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

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

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>769,892</u>	<u>(769,892)</u>	<u>-</u>
Total revenues and support	<u>3,307,464</u>	<u>965,190</u>	<u>4,272,654</u>
EXPENSES			
Program services			
Indonesia	374,789	-	374,789
Technical consulting	57,105	-	57,105
Haiti	1,840,633	-	1,840,633
Latin America	253,064	-	253,064
Philippines	<u>252,190</u>	<u>-</u>	<u>252,190</u>
Total program services	<u>2,777,781</u>	<u>-</u>	<u>2,777,781</u>
MANAGEMENT AND GENERAL			
Fundraising	470,416	-	470,416
General and administrative	<u>515,099</u>	<u>-</u>	<u>515,099</u>
Total management and general	<u>985,515</u>	<u>-</u>	<u>985,515</u>
Total expenses	<u>3,763,296</u>	<u>-</u>	<u>3,763,296</u>
INCREASE (DECREASE) IN NET ASSETS	(455,832)	965,190	509,358
NET ASSETS - BEGINNING OF YEAR	<u>543,695</u>	<u>1,220,743</u>	<u>1,764,438</u>
NET ASSETS - END OF YEAR	<u>\$ 87,863</u>	<u>\$ 2,185,933</u>	<u>\$ 2,273,796</u>

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	Technical Consulting	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	<u>\$ 382,636</u>	<u>\$ 94,860</u>	<u>\$ 3,327,724</u>	<u>\$ 291,366</u>	<u>\$ 340,394</u>	<u>\$ 227,232</u>	<u>\$ 4,664,212</u>	<u>\$ 529,214</u>	<u>\$ 398,866</u>	<u>\$ 5,592,292</u>

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

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

	<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	\$ 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	<u>\$ 374,789</u>	<u>\$ 57,105</u>	<u>\$ 1,840,633</u>	<u>\$ 253,064</u>	<u>\$ 252,190</u>	<u>\$ 2,777,781</u>	<u>\$ 470,416</u>	<u>\$ 515,099</u>	<u>\$ 3,763,296</u>

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

BUILD CHANGE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (568,680)	\$ 509,358
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	115,055	103,488
Effects of changes in operating assets and liabilities:		
Accounts, donations and grants receivable	(332,987)	(9,451)
Prepaid expenses	(9,442)	(83)
Deposits	1,707	(11,960)
Donated equipment	-	(303,475)
Accounts payable (including due to related party)	(8,792)	13,992
Credit card payable	6,240	4,673
Accrued liabilities	54,053	(21,300)
Deferred revenue	<u>(28,802)</u>	<u>28,802</u>
Net cash provided (used) by operating activities	<u>(771,648)</u>	<u>314,044</u>
NET INCREASE (DECREASE) IN CASH	(771,648)	314,044
CASH, BEGINNING OF YEAR	<u>1,103,457</u>	<u>789,413</u>
CASH, END OF YEAR	<u>\$ 331,809</u>	<u>\$ 1,103,457</u>
NONCASH TRANSACTIONS - INVESTING ACTIVITIES		
Donated software and website development services	<u>\$ 12,153</u>	<u>\$ 303,475</u>

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

BUILD CHANGE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

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.

BUILD CHANGE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

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 gain of \$1,090 for the year ended December 31, 2015 and a foreign exchange loss of \$9,569 for the year ended December 31, 2014.

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, 2016. 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, 2015 and 2014, 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, 2015 and 2014, the value of donated services and goods meeting the requirements for recognition in the financial statements was \$40,858 and \$41,387, 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, 2015 and 2014, the Organization received donated software and website costs with an estimated fair value of \$12,153 and \$303,475 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 two to seven years.

BUILD CHANGE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Depreciation expense charged to operations for the years ended December 31, 2015 and 2014 was \$115,055 and \$103,488, 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, 2015 and 2014.

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, 2015 and 2014, total accrued PTO is \$62,009 and \$48,075, 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 \$18,814 and \$14,370 for the years ended December 31, 2015 and 2014, 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).

BUILD CHANGE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

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 24, 2017, 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:

	<u>2015</u>	<u>2014</u>
Amounts due in		
2015	\$ N/A	\$ 690,075
2016	1,042,730	150,000
2017	<u>100,000</u>	<u>100,000</u>
Gross contribution and grants receivable	<u>1,142,730</u>	<u>940,075</u>
Less: Discount (3.50% and 3.25%, respectively) on receivable	<u>(5,599)</u>	<u>(16,210)</u>
Net Contribution and Grants Receivable	<u>\$ 1,137,131</u>	<u>\$ 923,865</u>

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, 2015 was \$36,061 and \$24,547, respectively, and as of December 31, 2014 was \$20,859 and \$18,997, 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.

BUILD CHANGE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

The Organization receives contributions from various corporations, organizations, and individuals, which are temporarily restricted. At December 31, 2015 and 2014, temporarily restricted net assets are comprised of contributions related to future periods and contributions with a specific purpose as follows:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 622,125	\$ 923,865
Haiti	310,376	620,905
Philippines	158,118	118,036
Donated Software	117,462	220,287
Nepal	47,394	-
Latin America	46,495	117,061
Indonesia	<u>18,165</u>	<u>185,779</u>
Total	<u>\$ 1,320,136</u>	<u>\$ 2,185,933</u>

Restrictions Released

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

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 673,865	\$ 266,210
Purpose restrictions	<u>1,088,839</u>	<u>503,682</u>
Total	<u>\$ 1,762,704</u>	<u>\$ 769,892</u>

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:

2016	\$ 142,498
2017	56,238
2018	34,472
2019	<u>17,322</u>
Total	<u>\$ 250,530</u>

Rental expense related to operating leases was \$129,533 and \$96,111 for the years ended December 31, 2015 and 2014.

BUILD CHANGE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014

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. At December 31, 2015 and 2014, the amounts in excess of FDIC limits were \$-0- and \$310,869, 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 \$264,608 and \$291,050 are uninsured and subject to credit risk and foreign currency risk as of December 31, 2015 and 2014, 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, 2015 and 2014, approximately 74% and 100% of the Organization's receivables were due from four parties. For the years ended December 31, 2015 and 2014, approximately 50% and 52% of the Organization's total revenue was concentrated with one party and two parties, 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 – 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, 2015 and 2014, payments were made to one and two Board members totaling \$155,888 and \$224,692, respectively, for general and administrative services.

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, 2015 and 2014 was \$16,200 and \$-0-, respectively. As of December 31, 2015 and 2014, there was \$250,000 and \$450,000 included in accounts receivable from RMS, respectively.

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

SUPPLEMENTARY INFORMATION

BUILD CHANGE
Cost of Programs Schedule - Unaudited
For the Year Ended December 31, 2015

	<u>Indonesia</u>	<u>Technical Consulting</u>	<u>Haiti</u>	<u>Latin America</u>	<u>Philippines</u>	<u>Nepal</u>	<u>Total Program Expenses</u>
Salaries and wages	\$ 210,400	\$ 57,308	\$ 1,298,307	\$ 185,809	\$ 237,824	\$ 110,938	\$ 2,100,586
Employee benefits	75,199	12,166	324,453	47,045	48,592	30,056	537,511
Payroll taxes	8,901	3,599	130,282	5,762	8,134	4,599	161,277
Professional services	4,497	1,201	39,530	20,984	4,199	15,839	86,250
Office supplies and expenses	14,960	3,616	123,665	6,881	15,013	13,438	177,573
Rent, facilities and equipment	10,794	809	116,601	19,185	35,112	29,651	212,152
Depreciation	21,241	126	81,168	11,763	454	303	115,055
IT services and computer expenses	6,213	6,639	45,187	7,665	2,945	16,780	85,429
Travel and meetings	26,535	25,143	60,841	25,592	25,932	36,627	200,670
General business expenses	2,958	2,538	10,494	15,361	5,257	2,750	39,358
Training supplies and equipment	14,033	-	75,751	174	16,521	1,239	107,718
Training and outreach materials	44,135	60	27,425	661	606	9	72,896
Transport and freight	18,908	529	298,015	2,459	7,535	10,215	337,661
Housing subsidies	-	-	1,358,156	-	-	-	1,358,156
TOTAL EXPENSES	\$ 458,774	\$ 113,734	\$ 3,989,875	\$ 349,341	\$ 408,124	\$ 272,444	\$ 5,592,292

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, 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	20,060	388,188
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	11,572	171,001
Rent, facilities and equipment	12,060	1,544	123,544	20,184	15,394	172,726
Depreciation	17,842	37	75,650	9,796	163	103,488
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	4,191	38,176
Training supplies and equipment	16,171	5	74,066	169	2,157	92,568
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	<u>\$ 507,760</u>	<u>\$ 77,365</u>	<u>\$ 2,493,658</u>	<u>\$ 342,849</u>	<u>\$ 341,664</u>	<u>\$ 3,763,296</u>

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, 2015

<u>Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Agency for International Development				
Direct USAID Foreign Assistance for Programs Overseas	98.001			\$ <u>186,122</u>
Total Federal Financial Assistance				\$ <u>186,122</u>

BUILD CHANGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Build Change under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Build Change, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Build Change.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Build Change has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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, 2015, 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 April 24, 2017.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2015-001 and 2015-002, that 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

Greenwood Village, Colorado
April 24, 2017



**Independent Auditors' Report on Compliance for Each Major
Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

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 Compliance Supplement* that could have a direct and material effect on Build Change's major federal program for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 its major federal program for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004. Our opinion on the major federal program is not modified with respect to this matter.

Build Change’s response to the noncompliance 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 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2014-005 that we consider to be significant deficiencies.

Board of Directors
Build Change

Build Change's response to the internal control over compliance 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 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 24, 2017

**BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Numbers	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: \$ 750,000
- Auditee qualified as low-risk auditee? x yes _____ no

**BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Section II – Financial Statement Findings

2015-001: Revenue Recognition and Net Asset Classification

Type of Finding:

- Internal Control over Financial Reporting, Significant Deficiency

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:

- \$299,609 in additional revenue and receivable related to a conditional grant that was improperly recognized as an exchange transaction.
- Temporarily restricted net asset releases were understated by \$27,560 and additions were understated by \$302,072. As a result the ending temporarily restricted net assets balance was understated by \$274,512.

Criteria: The Organization should ensure that all revenue and accounts receivable related to grants and contracts are properly recorded and classified within the proper net asset categories.

Context: Total revenue prior to booking the proposed adjustments was \$4,724,003 and contributions and grants receivable was \$837,522. An audit adjustment of \$299,609 of additional revenue and contributions and grants receivable were required to properly state revenue and contributions and grants receivable. In addition, \$27,560 of net asset releases and \$302,072 of net asset additions were added to the net asset schedule to properly present the activity in the statement of activities.

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

**BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Cause: The Organization improperly recognized grant revenue in the current year as a result of misinterpreting the grant agreement. The error occurred because the Organization does not have a formal internal control process in place to ensure that grant revenue is recognized, based on the structure of the grant agreement, in accordance with US GAAP.

Recommendation: We recommend that the Organization implement a formal internal control process to ensure that grant revenue is recognized, based on the structure of the grant agreement, in accordance with US GAAP. Such an internal control process could include evaluating grant agreements when they are signed against the Financial Accounting Standards Board (FASB) codification and AICPA Audit and Accounting Guide for Nonprofit Entities and documenting the Organization's conclusion on how grant revenue should be recognized.

Views of Responsible Officials and Planned Corrective Actions:

Explanation of disagreement with audit finding: No disagreement.

Actions planning in response to finding: We will begin by evaluating all of our current grant agreements and documenting our conclusions. Going forward we will evaluate all new grant agreements at the time of signing and document our conclusions for each.

Responsible parties: Tim Louis, Director of Finance and Administration, 303-963-5312

Planned completion date for corrective action plan: April 2017.

2015-002: Lack of Segregation of Duties

Type of Finding:

- Internal Control over Financial Reporting, Significant Deficiency

Condition: A fundamental concept in a strong system of internal control is the segregation 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 segregation of duties is inadequate, there is a resulting risk that intentional fraud or unintentional errors could occur and not be detected. 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. We also noted that the Business Manager is individually responsible for opening mail and making deposits.

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

Effect: Unsupported and inappropriate journal entries and disbursements could be initiated and authorized without being detected. In addition, cash receipts could be misappropriated.

Cause: The Organization has not segregated duties to ensure that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.

BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Recommendation: We recommend that the Organization segregate duties (including limiting access within the information system) among the Business Manager and the DFA. Specifically, the DFA should be responsible for reviewing and approving financial transactions while the Business Manager should be responsible for initiating journal entries and disbursements. Additionally, we recommend having two people present at the opening of the mail and for all monies received, complete a check log that is signed by both people opening the mail. There should be a reconciliation of the check log, deposit receipt, and journal entry to ensure all amounts agree.

Views of Responsible Officials and Planned Corrective Actions:

Explanation of disagreement with audit finding: No disagreement.

Actions planning in response to finding: We are in the process of hiring an additional person for our financial team, a Finance & Accounting Officer. Once in place, duties will be segregated between the Finance & Accounting Officer, the Business Manager, and the Director of Finance and Administration.

Responsible parties: Tim Louis, Director of Finance and Administration, 303-963-5312

Planned completion date for corrective action plan: May 2017.

**BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Section III – Findings and Questioned Costs – Major Federal Programs

2015 – 003: Untimely Completion and Submission of Single Audit and Data Collection Form

Federal agency: Agency for International Development

Federal program title: USAID Foreign Assistance for Programs Overseas

CFDA Number: 98.001

Award Period: 9/1/2013 – 1/10/2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matter

Criteria: Part 200, Subpart F, Section 200.512(a)(1) of the Office of Management and Budget (OMB) Uniform Guidance explains that for organizations requiring a single audit, the audit must be completed and the Data Collection Form (DCF) and reporting package must be submitted within the earlier of 30 days after the receipt of the auditor's reports, or nine months after the end of the audit period.

Condition: The Organization's federal grant agreements required that the Organization obtain a single audit of the Federal award funds it expended the year ended December 31, 2015. A single audit was not completed and the DCF and reporting package was not submitted within required timeframe of nine months after the end of the audit period.

Questioned Costs: None.

Context: The Organization did not complete a single audit and submit a data collection form and reporting package within the federally required timeframe.

Cause: The Organization's finance department was unable to devote time to complete the single audit prior to the DCF and data reporting package submission deadline.

Effect: The Organization was not in compliance with federal guidelines as the single audit was not completed in a timely manner and the DCF and reporting package were not submitted within the federally required timeframe.

Repeat Finding: No

Recommendation: We recommend the Organization review and revise its financial reporting practices to ensure that single audits are completed in accordance with federal requirements.

Views of Responsible Officials and Planned Corrective Actions:

Explanation of disagreement with audit finding: No disagreement.

Actions planning in response to finding: The finance department will be sure to devote enough resources to complete future single audits on time.

Responsible parties: Tim Louis, Director of Finance and Administration, 303-963-5312

Planned completion date for corrective action plan: April 2017.

**BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

2015 – 004: Procurement Policy

Federal agency: Agency for International Development

Federal program title: USAID Foreign Assistance for Programs Overseas

CFDA Number: 98.001

Award Period: 9/1/2013 – 1/10/2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matter

Criteria: The Organization elected the two year grace period to update its procurement policy to be in accordance with Uniform Guidance standards. As such, it was utilizing a procurement policy under OMB A-110 regulations. Per OMB Circular A-110, Subpart C, Section 44 (a), all recipients of federal funds shall establish written procurement procedures and policies that address the following:

- 1) Recipients avoid purchasing unnecessary items.
- 2) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal Government.
- 3) Solicitations for goods and services provide for all of the following.
 - A. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features, which unduly restrict competition.
 - B. Requirements, which the bidder/offeror must fulfill, and all other factors to be used in evaluating bids or proposals.
 - C. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - D. The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.
 - E. The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
 - F. Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

Condition: The Organization's written procurement policy did not address the federally required elements of written procurement policies listed above. Additionally, the Organization did not document that it elected the two year grace period to update its procurement policy to be in accordance with Uniform Guidance standards.

Questioned Costs: None

BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Context: Based on our review of the Organization's procurement policy, we noted that the policy did not address several of the federally required elements of written procurement policies and that it did not document that it elected the two year grace period to update its procurement policy to be in accordance with Uniform Guidance standards.

Cause: A lack of a written procurement policy that documents all of the required elements of federal procurement standards and that the Organization did not document that it was electing the two year grace period to update its procurement policy to be in accordance with Uniform Guidance standards contributed to this finding.

Effect: The Organization is not in compliance with federal procurement policy requirements.

Repeat Finding: No

Recommendation: We recommend the Organization update its written procurement policy so that it incorporates all required elements of federal procurement standards. Further, we recommend that the organization review the Uniform Guidance procurement standards and update its procurement policy to be in compliance with the new guidelines.

Views of Responsible Officials and Planned Corrective Actions:

Explanation of disagreement with audit finding: No disagreement.

Actions planning in response to finding: We will review the Uniform Guidance procurement standards and update our written procurement policy to be in compliance with the new guidelines.

Responsible parties: Tim Louis, Director of Finance and Administration, 303-963-5312

Planned completion date for corrective action plan: May 2017.

**BUILD CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Section IV – Prior Year Findings

FINDINGS RELATED TO FINANCIAL STATEMENTS

2014-001: Revenue Recognition and Net Asset Classification

See current year finding 2015-001.

Reason for finding's recurrence: Build Change did not have the proper internal controls in place to ensure that grant agreement revenue was recorded in accordance with US GAAP.

2014-002: Lack of Segregation of Duties

See current year finding 2015-002.

Reason for finding's recurrence: The Organization has not segregated duties to ensure that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-003: Reporting

During this year's testing of the host government taxes report, we determined that corrective action was implemented. No similar findings were noted during the current year audit.