

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

buildOn

Nonprofit Investor Rating:

NEUTRAL

Mission Statement

buildOn breaks the cycle of poverty, illiteracy, and low expectations through service and education. Through buildOn afterschool programs in high schools across the U.S., urban youth are contributing intensive service, helping seniors, young children, and the homeless in their communities, and are also helping to build schools in some of the poorest countries on the planet.

Financial Overview

\$ in MM, Fiscal Year Ended December 31

	2008	2009	2010
Revenue and Support	\$6.5	\$6.4	\$6.8
Operating Expenses	\$6.4	\$5.9	\$6.2
% of Total:			
Program Expenses	88.3%	88.3%	87.6%
G&A	2.4%	2.7%	3.2%
Fundraising	9.3%	9.0%	9.1%

Year Founded: 1991

Contact Details

BUILDON INC
P.O. Box 16741
Stamford, CT 06905
(203) 585-5390

<http://www.buildon.org/>

EIN: 22-3128648

Analyst: Kent Chao

Peer Review: E. Eurich, H. Silverio

Publication Date

June 5, 2012

SUMMARY

buildOn's primary activities include (1) afterschool programs that mobilize urban teens to volunteer in their communities and (2) international school construction.

STRENGTHS

▲ **Unique approach with multiple beneficiary groups.** By engaging youths in local and international volunteerism, buildOn impacts students, their local communities and international communities.

▲ **Highly sustainable global school construction programs.** By working closely with stakeholders in international communities, every school constructed by buildOn since 1991 remains operational, with the exception of one school in Haiti which is being rebuilt.

▲ **Thorough monitoring of constructed schools.** One, three and five years after each school is built, buildOn gathers key information about each school constructed, such as the condition of the school, enrollment by gender, number of teachers and other KPIs.

CAUTIONS

▼ **Lack of public information about program results.** While conversations with buildOn staff have revealed robust data collection, very little information about program results is publicly disclosed on a consistent basis. Increased disclosures of data collected by buildOn would improve accountability over time.

▼ **High equity market exposure.** With 78% of its \$3.5MM of investments in equities, buildOn is highly exposed to market movements. A large loss in 2008 appears to have led directly to a reduction in programs in 2009. A higher proportion of fixed income investments would mitigate volatility.

● **Disclosure discrepancies.** Dates of key buildOn metrics are ambiguous, causing difficulty in analysis. For example, while page 1 of buildOn's 2010 Form 990 indicates 760k hours of service by buildOn youth volunteers since 1991, page 2 indicates 837k hours of service. buildOn staff has confirmed this to be a timing discrepancy.

RECOMMENDATION: NEUTRAL

buildOn's unique approach to engaging urban youths in both local and international volunteerism has a positive impact on students in the U.S., their local communities and international communities. buildOn's global school construction programs exhibit a high degree of impact and sustainability. Student surveys indicate the positive impact of buildOn afterschool programs but do not rigorously track outcomes. While buildOn staff has been forthcoming with responses to information requests, NPI would also like to see more detailed information disclosed on buildOn's website and annual filings.

OVERVIEW OF BUILDON'S ACTIVITIES

buildOn runs afterschool youth service programs that mobilize urban teens to improve their communities and to improve global education through local community service and global school construction:

Afterschool Program	Global School Construction
<ul style="list-style-type: none"> • Three core activities: <ol style="list-style-type: none"> 1. Community and Global Education. Activities expose students to issues relevant to the countries where buildOn builds schools. 2. Service. buildOn students participate in local volunteer projects such as tutoring, volunteering at senior centers, serving meals and environmental restoration 3. Building Schools. Two students from each buildOn high school program travel abroad to participate in buildOn's Global School Construction program • 139 afterschool service programs at 102 high schools in six US regions: Chicago, Detroit, New York City, Oakland/San Francisco, Philadelphia, Southern Connecticut 	<ul style="list-style-type: none"> • buildOn classrooms are constructed in partnership with the communities who will benefit from them <ul style="list-style-type: none"> ▪ buildOn provides the funding, engineering, materials, skilled labor and supervision ▪ Partner villages provide a gender-balanced leadership team, unskilled volunteer labor and a promise that girls will attend the school in equal numbers with boys • The average classroom holds 50 students • buildOn currently constructs schools in Haiti, Malawi, Mali, Nepal, Nicaragua and Senegal • Construction typically takes 3 months (buildOn students participate in construction for a two-week period) • School construction is coupled with Community Education Programs for adults (intensive literacy and numeracy programs) • 46 schools constructed in 2010 • 384 schools constructed since inception (1991)

PROGRAM RESULTS AND EFFECTIVENESS

buildOn's unique approach impacts three distinct groups: youths in afterschool programs, international communities through global school construction and local communities through buildOn student service hours.

AFTERSCHOOL PROGRAMS

The number of schools in which buildOn operates afterschool programs has remained relatively flat since 2008. Each buildOn coordinator tracks the number of hours students volunteer. According to statistics provided by buildOn, in 2011, hours of service decreased by 10%.

Key Metrics Disclosed for buildOn Afterschool Programs

	2008	2009	2010	2011	Source:
Current U.S. Schools with buildOn Afterschool Programs	130	118	118	<i>n.a.</i>	IRS Form 990
Hours of Service Contributed by buildOn Youths	112,536	137,218	142,420	128,442	buildOn staff (via email)

In 2012, buildOn began tracking the number of unique student participants in its programs. In the current school year, buildOn has engaged 7,998 unique students in its programs. We look forward to seeing this figure disclosed over time going forward.

buildOn's primary method for evaluating its impact on youths in its afterschool programs is a year-end survey of students and staff. Survey results are not published on buildOn's website but are referenced by a 2010 study by Brandeis University MBA candidates ([Brandeis Study](#)).

The Brandeis study indicated that “Although a review of buildOn’s current evaluation efforts – particularly the qualitative information from students and alumni – indicated that the program has considerable impact, the full scope and precise definition of desired outcomes remained unclear.”

Of students that responded to each question, survey results (as cited by Brandeis) indicate a positive impact on students:

- Ability to make a difference (81%)
- Knowledge of the community (76%)
- Teamwork skills (74%)
- Awareness of global issues (64%)
- A sense of purpose (59.2%)
- Leadership skills (56.9%)
- Self-confidence (50.7%)

buildOn’s website indicates that:

- 64% of buildOn students increased their GPAs over the course of the same year
- 100% of buildOn students agreed that buildOn provided them with a wider range of post-high school options
- 100% of buildOn students strongly agreed that because of buildOn, they have a more positive attitude about themselves

Data behind this information is not available on buildOn’s website. The Brandeis study seems to indicate that GPA data was not collected through 2010, implying that the 64% statistic may apply to 2011 only.

buildOn indicates that “95% of [buildOn] graduating seniors have gone on to college since the year 2000”. Without knowing the context of this statistic (e.g., percent retention of buildOn students through high school, percent of buildOn students graduating each year, percent of non-buildOn students graduating each year, percent of non-buildOn graduating seniors going to college), NPI does not find this statistic to be meaningful. NPI notes that in other materials, such as the presentation at the buildOn Dinner in San Francisco on May 4, 2012, this statistic is worded differently, indicating that 95% of buildOn students graduate high school AND go to college. It is unclear whether 100% of buildOn-involved students graduate high school or if one of these statements is incorrectly worded.

The Brandeis study suggests a variety of impact evaluation methods such as pre- and post-surveys, focus groups, comparison group studies, etc. The study also suggests that buildOn publicize the results of evaluation results in its annual reports and on its website. Without seeing these results published, it is unclear to NPI what improvements to buildOn’s evaluation framework have been implemented.

GLOBAL SCHOOL CONSTRUCTION

As of December 31, 2011, buildOn has constructed 444 schools globally. While the cost of each school has increased from 2008 to 2010, NPI does not opine on the meaning of this cost increase (school construction costs will justifiably vary by size of school, geography, etc.).

Key Metrics for buildOn Global School Construction Program

	2008	2009	2010	2011	
Schools Constructed	58	46	46	60	<i>buildOn staff (via email)</i>
Cumulative Schools Constructed	291	338	384	444	<i>Audit (2011 is a calculation)</i>
buildOn Cost per School Constructed	36,780	38,002	42,521	<i>n.a.</i>	<i>Calculated (total cost from Form 990)</i>
<i>Annual Increase in Cost per School</i>		3.3%	11.9%		

buildOn has an impressive track record of sustainability of its constructed schools. By partnering with local communities and governments, nearly all buildOn-constructed schools remain in operation. According to buildOn's VP of International Programs (April 27, 2011), all but one school is operational. A school in Raymond Village, Haiti was damaged in the earthquake and is being rebuilt next month.

In November 2010, the Academy for Educational Development (AED) published an assessment of buildOn projects in Mali and Malawi for GE Foundation. Key takeaways from the AED report include:

- buildOn operates in communities of extreme need. While Mali and Malawi are amongst the world's poorest countries, buildOn typically operates in specific communities where school enrollment and life expectancy rates are lower than the national average
- Impact on key beneficiaries in Mali and Malawi:
 - **Children.** In communities where buildOn has constructed schools, access to education has dramatically improved. Because buildOn communities typically did not previously have schools nearby, children either traveled long distances to attend schools or did not attend at all. Girls were especially severely impacted - many communities reported that girls would often suffer threats of, or actual physical abuse, when traveling to other villages for school.
 - **Adult Women.** Local women who have participated in buildOn's construction projects and Community Education Programs have increased their skills and confidence. Many enjoy more independence in market activities and travel. Additionally, women have indirectly benefited from men acquiring awareness through Community Education Programs (e.g. reproductive health issues such as spacing births, pre-natal visits).
 - **Adult Men.** Local men who participated as volunteers in buildOn construction projects gained new knowledge and skills regarding the construction of buildings and project management. In both Mali and Malawi, men have established new businesses building houses or improving their existing business as a direct result of knowledge acquired through buildOn projects. Additionally, men across buildOn communities report holding a different position in their village now that they have some level of literacy.

In Malawi, local men have joined with the women in community development groups, implementing new ideas for income generation. Through these group activities, men have learned to engage with local markets more effectively (note: the report implies but does not state that this applies to women as well).

The Sub-Saharan region (Mali, Malawi and Senegal) accounts for 53% of buildOn's 2010 international expense. While the detailed assessment of Mali and Malawi by AED is thorough and strongly positive, we would like to see additional assessments of the overall global school construction program.

Upon NPI's request, buildOn provided detailed international programs data from 1993-2012, including data collected every one, three and five years after each school is built.

IMPACT ON LOCAL (DOMESTIC) COMMUNITY

buildOn also collects data on the number of volunteer hours that each student performs. buildOn does not further examine the impact of those volunteer hours, which seems appropriate given the organization's focus on students in its programs and global school construction.

TRANSPARENCY

Audited financial statements and IRS 990 Forms for the past five years are available on buildOn’s website.

Publicly disclosed information does not provide a thorough view of buildOn’s effectiveness over time. For example, key data such as number of schools built each year cannot be derived from public information (cumulative numbers of schools constructed is a metric that shows up in many places on the website and IRS Form 990 but does not include the associated date of the statistic).

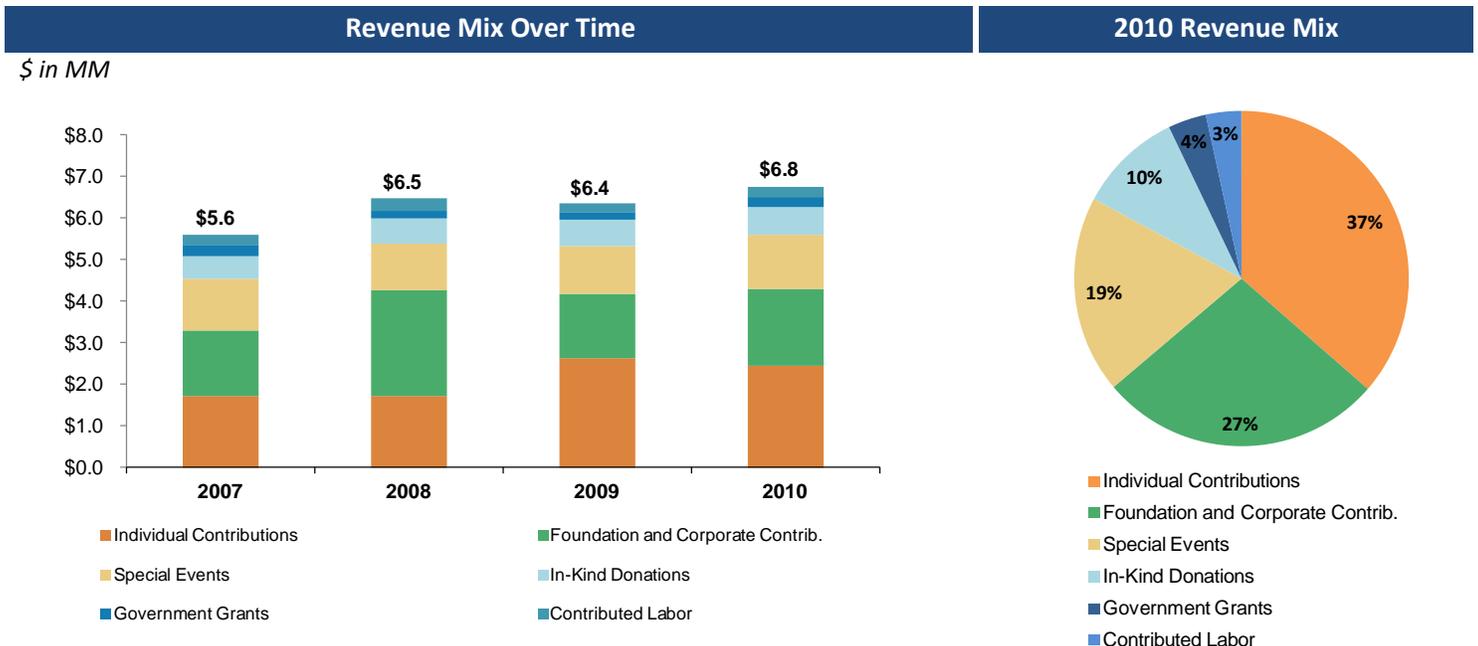
buildOn staff responded promptly and thoroughly to NPI requests for additional information, allowing for a more in-depth evaluation of the organization. After receiving data and commentary from buildOn staff, most of NPI’s initial questions about the organization were resolved.

buildOn’s openness to sharing information upon request reflects their interest in transparency. However, NPI believes that basic program result data (e.g. key metrics such as number of schools built and hours of service contributed by youths) must be disclosed publicly and consistently to ensure accountability. Conversations with staff indicate that buildOn is working on several initiatives to provide more detailed programs information

FINANCIAL OVERVIEW

REVENUE

The majority of buildOn’s revenue comes from foundation, corporate and individual contributions. Foundation and corporate contributions declined by 40% in 2009 but were offset by a 54% increase in individual contributions. buildOn’s third largest revenue source is special events such as fundraising dinners.

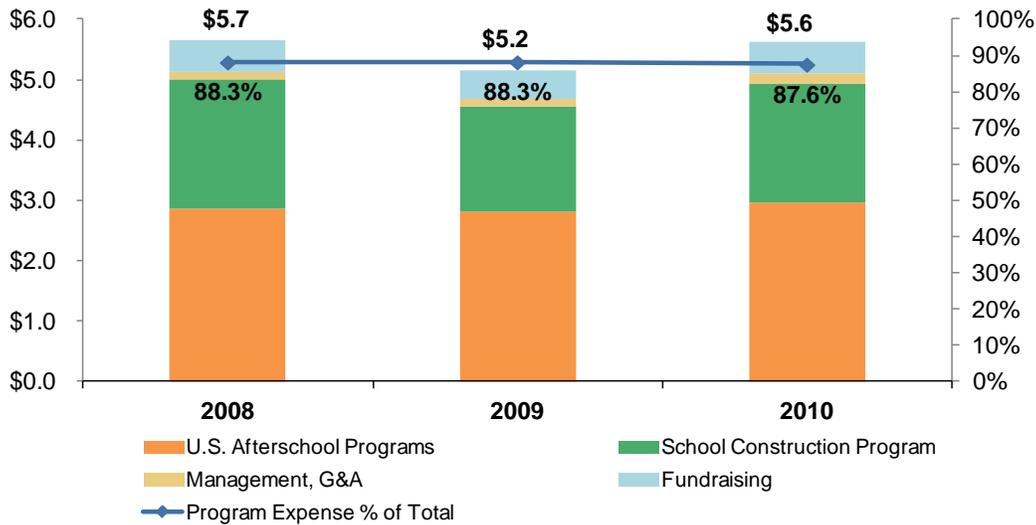


EXPENSES

Program expenses (as defined by buildOn) as a percent of total expenses have declined from 88.3% in 2008 and 2009 to 87.6% in 2010. While this percentage decline is not large, 2010 was a growth year for buildOn and we would have preferred to see an increase in the proportion of expenses spent on programs rather than management, G&A and fundraising.

Expense Breakout Over Time

\$ in MM



In 2008, buildOn sustained a \$1.5MM loss in the fair value of its investments (25% of 12/31/07 total assets), resulting in a \$1.3MM net change in assets for the year. It appears that this had a direct impact in 2009 program expenditures (\$560k decline in program service expenses in a year with only a \$108k decline in total revenue and support). While this may have been a prudent decision to rebuild the organization's assets to ensure its sustainability, it appears that poor investment performance has a direct, negative impact on buildOn's ability to deliver programs.

While the S&P500 declined by 41% in 2008, we believe that buildOn's investment strategy left it overly exposed to market movements (82% of investments in equities as of 12/31/2008; likely significantly higher before the market decline). While equities now comprise a slightly lower percentage of the investment portfolio (78% as of 12/31/2010; 16% of all investments are international equities), buildOn's asset allocation remains equity-heavy.

NPI suggests that buildOn reduce its equity exposure. Investment losses have the direct impact of reducing the organization's ability to provide program services to its beneficiaries. Shifting asset allocation towards fixed income investments would reduce volatility of buildOn's portfolio.

Overview of Investments

As of December 31

	2008	2009	2010
GE U.S. Equity Mutual Fund	\$1,368,895	\$1,809,572	\$1,966,567
GE Fixed Income Mutual Fund	471,807	507,347	778,780
GE International Equity Mutual Fund	588,823	764,039	560,875
GE Small-Cap Value Equity Mutual Fund	132,547	173,098	227,279
Common Stock	0	23,100	2,058
Total Investments	\$2,562,072	\$3,277,156	\$3,535,559
% Equity	82%	85%	78%
% Fixed Income	18%	15%	22%

Source: Audited Financial Statements (GAAP)

Detailed Financial Information (GAAP and Tax Basis, As Noted)

Fiscal Year Ended December 31

	2007	2008	2009	2010
Revenue and Expenses (GAAP Accounting Basis)				
Operating Revenue:				
In-Kind Donations	\$542,747	\$589,838	\$615,478	\$675,665
Special Events	1,242,363	1,124,187	1,158,746	1,289,669
Foundation and Corporate Contributions	1,585,976	2,554,297	1,537,219	1,846,174
Government Grants	280,000	187,150	188,238	248,814
Contributed Labor Associated with Site Development	245,000	290,000	220,000	231,119
Individual Contributions	1,716,629	1,719,338	2,639,284	2,461,217
Provision for Uncollectable Receivables	(28,000)	0	0	0
Interest and Other Income	49,242	15,320	12,245	13,922
Total Support and Revenues	\$5,633,957	\$6,480,130	\$6,371,210	\$6,766,580
<i>% Growth</i>		15.0%	(1.7%)	6.2%
Expenses:				
Program Services:				
Construction, Including Donated Goods and Services	\$1,711,230	\$2,136,187	\$1,738,550	\$1,881,846
Contributed Labor Associated with Site Development	245,000	290,000	220,000	231,119
Cultural Education, Including Donated Goods and Services	2,652,513	3,165,669	3,072,553	3,280,841
International Education	54,183	46,741	45,933	43,375
Supporting Services:				
Fundraising, Including Donated Goods and Services	\$457,225	\$576,910	552,318	\$559,957
Management and General, Including Donated Goods and Services	253,395	209,517	236,758	206,791
Total Expenses:	\$5,373,546	\$6,425,024	\$5,866,112	\$6,203,929
<i>% of Revenue</i>	95.4%	99.1%	92.1%	91.7%
Increase in Net Assets from Operations	\$260,411	\$55,106	\$505,098	\$562,651
Dividend Income	\$383,988	191,941	64,322	48,604
Net Appreciation in Fair Value of Investments	(\$42,759)	(1,508,249)	627,665	230,549
Lost on Disposal of Fixed Assets		0	0	(1,377)
Net Foreign Exchange (Loss) Gain		(4,741)	1,939	(6,593)
Bad Debt Expense		0	(56,902)	(112,107)
Change in Assets	\$601,640	(\$1,265,943)	\$1,142,122	\$721,727

KEY BALANCE SHEET INFORMATION

Cash and Cash Equivalents	\$1,479,037	\$1,216,405	\$1,605,822	\$2,026,261
Investments	\$3,876,857	\$2,562,072	\$3,277,156	\$3,535,559
Total Assets	\$5,822,909	\$4,587,091	\$5,684,546	\$6,619,677

Source: Audited Financial Statements (GAAP Accounting Basis)

Expenses by Function (Tax Accounting Basis)

U.S. Afterschool Programs	2,862,262	2,800,475	2,969,585
School Construction Program	2,133,267	1,748,110	1,955,988
Management, G&A	136,174	141,659	181,005
Fundraising	528,442	461,367	514,099
Total Expenses	5,660,145	5,151,611	5,620,677

Program Costs as a % of Total Expenses	88.3%	88.3%	87.6%
G&A as a % of Total Expenses	2.4%	2.7%	3.2%
Fundraising as a % of Total Expenses	9.3%	9.0%	9.1%

Source: IRS Form 990 (Tax Accounting Basis)

EXPENSE BREAKDOWN BY FUNCTION

buildOn allocates compensation expense based upon the amount of time each person spends in each function. Directors and trustees are not compensated. Allocations for officers are reviewed and signed-off by buildOn's auditors each year.

2010 Program Expense Breakdown (Tax Accounting Basis)

	Total	Programs	Mgmt, G&A	Fundraising
Compensation of Officers, Directors, Trustees, Key Employees	\$676,406	\$520,461	\$36,881	\$119,064
Other Salaries and Wages	2,244,784	2,021,360	46,178	177,246
Pension Plan Contributions	18,788	17,648	1,140	0
Other Employee Benefits	305,625	291,399	5,101	9,125
Payroll Taxes	241,092	211,356	6,319	23,417
Legal	5,239	5,239	0	0
Accounting	27,114	0	27,114	0
Other	182,247	174,081	2,698	5,468
Advertising and Promotions	656	656	0	0
Office Expenses	143,185	55,132	8,034	80,019
Information Technology	17,625	4,502	1,295	11,828
Occupancy	25,133	25,133	0	0
Travel	525,960	493,194	1,269	31,497
Conferences, Conventions and Meetings	144,080	132,263	1,251	10,566
Interest	64	0	64	0
Depreciation, Depletion and Amortization	22,236	22,046	0	190
Insurance	68,835	29,737	39,098	0
Financial Aid	3,103	3,103	0	0
Recruitment Fees	5,945	3,741	358	1,846
Bank Charges & Government Fees	52,925	4,887	4,205	43,833
School House Construction Costs	797,528	797,528	0	0
Bad Debt Expenses	112,107	112,107	0	0
Total Expenses	\$5,620,677	\$4,925,573	\$181,005	\$514,099

THIRD PARTY RATINGS

buildOn holds a four-star rating from Charity Navigator and is not currently rated on GreatNonprofits, Philanthropedia or GiveWell.

GET INVOLVED

- Start a Regional Chapter to fund a school, raise awareness of buildOn's work globally, sponsor high school students to travel to build a school: <http://www.buildon.org/get-involved/buildon-chapters/>
- The Ambassador Trek Program offers supporters the opportunity to fund and then travel to break ground on a buildOn school in Nicaragua, Nepal, Mali, or Malawi: <http://www.buildon.org/get-involved/build-a-school/>
- Donate: <https://www.buildon.org/give-donation/>

DISCLOSURES

Kent Chao certifies that he does not have any affiliation with buildOn and has never made a donation to the organization. In the past, Kent has led a fundraising project for Room to Read, a nonprofit also engaged in global school construction. Kent has no other affiliations with directly competing charities. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities. Kent was a guest of buildOn at the buildOn Dinner in San Francisco on May 4, 2012.

This report is for informational purposes only and does not constitute a solicitation for donations. While the reliability of information contained in this report has been assessed by NPI, NPI makes no representation as to its accuracy or completeness, except with respect to the Disclosure Section of the report. Any opinions expressed herein reflect our judgment as of the date of the materials and are subject to change without notice. NPI has no obligation to update, modify or amend any report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject organization is withdrawn.

Opinions and recommendations in our reports do not take into account specific reader circumstances, objectives, or needs. The recipients of our reports must make their own independent decisions regarding any organization mentioned by NPI.