

**BUILD, INC.**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2017 AND 2016**

**TOGETHER WITH AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
BUILD, Inc.:

We have audited the accompanying financial statements of BUILD, Inc., which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses 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.

### *Auditor's 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. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Dugan + Lopatka*

DUGAN & LOPATKA

Wheaton, Illinois  
January 22, 2018

BUILD, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents - Unrestricted	\$ 108,860	\$ 282,459
- Temporarily restricted	137,546	154,391
Grants receivable	367,087	195,480
Certificate of deposit	65,612	65,612
Prepaid expenses	43,973	48,061
Total current assets	<u>723,078</u>	<u>746,003</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Land	32,500	32,500
Building	824,191	811,841
Equipment	70,307	61,438
Vehicle	20,373	20,373
	<u>947,371</u>	<u>926,152</u>
Less: Accumulated depreciation	<u>177,678</u>	<u>142,738</u>
	<u>769,693</u>	<u>783,414</u>
	<u>\$ 1,492,771</u>	<u>\$ 1,529,417</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 158,302	\$ 90,457
Grant advance	73,877	195,487
Total liabilities	<u>232,179</u>	<u>285,944</u>
<b>COMMITMENTS</b>		
<b>NET ASSETS:</b>		
Unrestricted	1,123,046	1,089,082
Temporarily restricted	137,546	154,391
Total net assets	<u>1,260,592</u>	<u>1,243,473</u>
	<u>\$ 1,492,771</u>	<u>\$ 1,529,417</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Public support -						
Contributions	\$ 909,485	\$ 17,950	\$ 927,435	\$ 763,718	\$ 33,750	\$ 797,468
Fundraising events, net of expenses of \$137,954 and \$128,622 for 2017 and 2016, respectively	619,629	-	619,629	501,170	-	501,170
United Way of Metropolitan Chicago	155,800	-	155,800	155,800	-	155,800
In-kind revenue	-	-	-	1,500	-	1,500
Revenue and grants from governmental agencies -						
U.S. Department of Education	183,333	-	183,333	246,429	-	246,429
Chicago Department of Family and Support Services	454,136	-	454,136	434,398	-	434,398
Cook County Board of Commissioners	187,401	-	187,401	94,338	-	94,338
Illinois State Board of Education	68,693	-	68,693	60,292	-	60,292
Other revenue	119,289	-	119,289	32,098	-	32,098
Total support and revenue	\$ 2,697,766	\$ 17,950	\$ 2,715,716	\$ 2,289,743	\$ 33,750	\$ 2,323,493

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
RECLASSIFICATIONS:					
Net assets released upon satisfaction of purpose restrictions	\$ 34,795	\$ (34,795)	\$ -	\$ (40,885)	\$ -
FUNCTIONAL EXPENSES:					
Program expenses	2,366,943	-	2,366,943	2,091,034	2,091,034
Management and general Fundraising	167,258	-	167,258	217,191	217,191
	164,396	-	164,396	142,723	142,723
Total functional expenses	2,698,597	-	2,698,597	2,450,948	2,450,948
CHANGE IN NET ASSETS	33,964	(16,845)	17,119	(120,320)	(127,455)
NET ASSETS, Beginning of year	1,089,082	154,391	1,243,473	1,209,402	1,370,928
NET ASSETS, End of year	\$ 1,123,046	\$ 137,546	\$ 1,260,592	\$ 1,089,082	\$ 1,243,473

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 17,119	\$ (127,455)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	34,938	33,740
(Increase) decrease in grants receivable	(171,607)	34,879
(Increase) decrease in prepaid expenses	4,088	(27,041)
Increase (decrease) in accounts payable and accrued expenses	67,845	(73,042)
Increase (decrease) in grant advance	(121,610)	149,225
Net adjustments	<u>(186,346)</u>	<u>117,761</u>
Net cash (used in) operating activities	<u>(169,227)</u>	<u>(9,694)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(21,217)	(96,947)
Purchase of certificate of deposit	-	(147)
Net cash (used in) investing activities	<u>(21,217)</u>	<u>(97,094)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(190,444)	(106,788)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>436,850</u>	<u>543,638</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 246,406</u>	<u>\$ 436,850</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	<u>\$ 2,161</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	Program Expense	Management and General	Fundraising	Total
Salaries	\$ 1,638,529	\$ 62,408	\$ 57,900	\$ 1,758,837
Employee benefits	140,367	37,523	12,060	189,950
Payroll taxes	133,372	7,026	4,282	144,680
Repayment of grant funds	-	-	-	-
Professional fees and contracts	85,636	9,449	43,935	139,020
Supplies	38,069	5,258	2,582	45,909
Telephone	16,824	1,811	1,623	20,258
Postage and shipping	1,484	555	977	3,016
Occupancy	-	-	-	-
Utilities	12,197	1,339	1,339	14,875
Equipment rental	37,771	2,246	1,921	41,938
Outside printing	8,562	737	17,554	26,853
Transportation	28,711	2,764	717	32,192
Conferences and meetings	12,783	2,944	619	16,346
Specific assistance to individuals	112,972	15,600	1,387	129,959
Repairs and maintenance	57,138	7,299	6,599	71,036
Depreciation	29,404	2,307	3,227	34,938
Interest expense	-	2,161	-	2,161
Miscellaneous	13,124	5,831	7,674	26,629
	<u>\$ 2,366,943</u>	<u>\$ 167,258</u>	<u>\$ 164,396</u>	<u>\$ 2,698,597</u>
Total functional expenses				

The accompanying notes are an integral part of this statement.



BUILD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,346,069	\$ 117,279	\$ 94,616	\$ 1,557,964
Employee benefits	127,661	38,717	9,700	176,078
Payroll taxes	110,106	11,387	7,705	129,198
Repayment of grant funds	49,183	-	-	49,183
Professional fees and contracts	78,701	6,933	7,248	92,882
Supplies	75,968	324	1,362	77,654
Telephone	15,919	1,386	1,586	18,891
Postage and shipping	1,337	260	438	2,035
Occupancy	4,500	-	-	4,500
Utilities	11,674	1,243	1,243	14,160
Equipment rental	39,636	2,391	2,282	44,309
Outside printing	4,985	5,649	1,919	12,553
Transportation	16,434	1,910	1,228	19,572
Conferences and meetings	16,320	2,224	1,023	19,567
Specific assistance to individuals	88,651	15,680	217	104,548
Repairs and maintenance	54,830	6,847	5,896	67,573
Depreciation	27,705	3,017	3,018	33,740
Interest expense	-	-	-	-
Miscellaneous	21,355	1,944	3,242	26,541
Total functional expenses	<u>\$ 2,091,034</u>	<u>\$ 217,191</u>	<u>\$ 142,723</u>	<u>\$ 2,450,948</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BUILD, Inc. (Broader Urban Involvement and Leadership Development) (BUILD) was established in 1969 as a private non-profit voluntary agency to redirect disruptive and delinquent youth, many of whom were and are members of urban street gangs. BUILD engages at-risk youth in the schools and on the streets so they can realize their educational and career potential and contribute to the stability, safety and well being of the communities. BUILD does this through expertise in youth development, violence prevention/intervention and coalition building.

BUILD's vision is that by 2020, BUILD will be sought out as a premier provider of proven-effective youth development services targeted for at-risk youth and communities. As this vision is realized, our youth will be motivated and equipped with the tools to utilize educational and community resources that will assist them in achieving social mobility.

The financial statements were available to be issued on January 22, 2018, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements.

Basis of Accounting -

The financial statements of BUILD have been prepared on the accrual basis of accounting which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for *Financial Statements of Not-for-Profit Organizations*. Under the ASC, BUILD is required to report information regarding its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of BUILD and/or the passage of time.

Permanently Restricted Net Assets - Net assets to be held indefinitely, the income from which is expendable to support operating activities. At June 30, 2017 and 2016, there were no permanently restricted net assets.

Cash and Cash Equivalents -

BUILD considers all cash accounts and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Concentrations of Credit Risk -

Financial instruments which potentially subject BUILD to concentrations of credit risk consist principally of cash. BUILD places its cash and deposits with high quality financial institutions. Deposits may exceed the federally insured limits of their institution from time to time.

Receivables -

Receivables represent grants and donations due to BUILD from governmental agencies, non-profit agencies, foundations and individuals. These receivables are reviewed at year end and amounts deemed uncollectible are written off.

Certificate of deposit -

Investments are comprised of a certificate of deposit. At June 30, 2017 and 2016, the certificate bears interest at .15% and has a maturity of twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Property and Equipment -

Property and equipment are carried at original cost or fair market value at date of receipt for donated assets less accumulated depreciation. BUILD follows the practice of capitalizing all expenditures for fixed assets with a life longer than one year and cost is greater than \$500. Depreciation is computed using the straight-line method to amortize the cost of fixed assets over their estimated useful lives, ranging from 3 to 30 years.

Contributed Goods and Services -

Contributed materials and equipment are recorded as support and expenses at fair market value when determinable, otherwise, at values indicated by the donor. BUILD generally pays for services requiring specific expertise. In 2017 and 2016, BUILD received contributions totaling \$-0- and \$1,500, respectively, for services that required specific expertise. No amounts have been reflected in the financial statements for contributed services that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Unrestricted and Restricted Revenues -

All contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grant advance is cash received from conditional promises to give that the condition has not been met as of June 30, 2017. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Unrestricted and Restricted Revenues - (Continued)

Gifts of property and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, BUILD reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes -

BUILD has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

BUILD files informational returns in the U.S. federal jurisdiction and Illinois. With few exceptions, BUILD is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2013. BUILD does not expect a material net change in unrecognized tax benefits in the next twelve months.

Expense Allocations -

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES:

The following are the three main programs of BUILD:

*BUILD's Prevention program* promotes positive youth development by equipping youth with the life skills necessary to resist the lure of street gangs, violence and drugs. As these youth develop a steady support system and knowledge base, they are referred to the *BUILDing Futures* program to further prepare themselves for academic and career success. The program includes in-school activities, after-school activities and community outreach collaboration.

(2) DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES: (Continued)

*BUILD's Intervention program* is designed to reduce youth violence in targeted high schools. Intervention Specialists and Case Managers engage youth in in-school sessions and/or after-school activities in order to identify issues, seek solutions, mediate disputes, and encourage education. The program includes two subprograms: Gang/Violence Remediation and Juvenile Rehabilitation (Project BUILD). Project BUILD, the rehabilitation program at the Cook County Juvenile Temporary Detention Center, intervenes in the lives of youth detained at and released from the Detention Center in order to reduce recidivism.

*BUILDing Futures* assists at-risk students develop and implement plans for postsecondary education and career. The Personal Education Plans allow students to establish short and long-term goals, as well as action steps needed to reach their goals.

(3) COMMITMENTS AND CONTINGENCIES:

BUILD has operating leases for equipment which expire at various dates until February, 2020. Lease expense for the years ended June 30, 2017 and 2016 was \$20,739 and \$30,209, respectively.

Minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2018	\$ 18,203
2019	17,674
2020	<u>12,256</u>
	<u>\$ 48,133</u>

Federal and State Grants -

BUILD receives significant financial assistance from several federal, state and local government agencies in the form of grants. Program revenue in excess of program expenses is typically subject to recapture under various provisions. Additionally, the disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to BUILD.

Environmental Remediation -

BUILD purchased property during the year ended June 30, 2012 which was found to have soil contamination and possible groundwater contamination by previous environmental assessments. BUILD has been required by the Illinois Environmental Protection Agency to remediate the contamination. An agreement is in place with a third party to remediate the contamination at a cost not to exceed \$200,000. As of June 30, 2017, \$92,183 remediation expenses have been incurred on the property. If additional problems are found, it is reasonably possible that a change in the estimate could occur in the near term.

(4) LINE OF CREDIT:

BUILD has a \$200,000 line of credit with a bank maturing in May, 2018, bearing interest at prime (4.00% at June 30, 2017) plus 2%, with a minimum interest rate of 5.00%. The line is secured by substantially all business assets of BUILD and BUILD has a certificate of deposit as collateral. As of June 30, 2017 and 2016, BUILD has no borrowing on the line of credit.

(5) EMPLOYEE RETIREMENT PLAN:

BUILD provides a defined contribution benefit plan to its employees after two years or 1,000 or more hours of service. BUILD funds all the administrative costs of the plan and the employer contribution to the plan is discretionary. There were no employer contributions to the retirement plan for the years ended June 30, 2017 and 2016.

(6) FUTURE COMMITTED REVENUE:

BUILD received the following future commitments from granting agencies as of June 30, 2017:

	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of June 30, 2017</u>	<u>Funding Available</u>
U.S. Department of Education	09/01/16 to 8/31/21	\$ 1,200,000	\$ 118,594	\$ 1,081,406

(7) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets available for the following purposes as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Purpose restricted -		
Heilman/Abbey Scholarship Fund	\$ 718	\$ 18,491
Capital Campaign	83,925	82,997
BUILDing Futures	<u>52,903</u>	<u>52,903</u>
	<u>\$ 137,546</u>	<u>\$ 154,391</u>