

BUILD, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018 AND 2017**

TOGETHER WITH AUDITOR'S REPORT



Certified Public Accountants
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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, 2018 and 2017, 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.

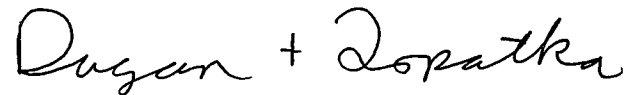
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

Independent Auditor's Report
To the Board of Directors of
BUILD, Inc.
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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, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Dugan + Lopatka".

DUGAN & LOPATKA

Warrenville, Illinois
December 11, 2018

BUILD, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 130,278	\$ 246,406
Grants receivable	528,841	367,087
Investments	138,496	65,612
Prepaid expenses	92,992	43,973
Total current assets	890,607	723,078
PROPERTY AND EQUIPMENT:		
Land	32,500	32,500
Building	824,191	824,191
Equipment	118,012	70,307
Vehicle	20,373	20,373
	995,076	947,371
Less: Accumulated depreciation	217,951	177,678
	777,125	769,693
	\$ 1,667,732	\$ 1,492,771
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 127,953	\$ 158,302
Grant advance	6,777	73,877
Total liabilities	134,730	232,179
COMMITMENTS		
NET ASSETS:		
Unrestricted	1,209,354	1,123,046
Temporarily restricted	323,648	137,546
Total net assets	1,533,002	1,260,592
	\$ 1,667,732	\$ 1,492,771

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Public support -						
Contributions	\$ 1,620,192	\$ 190,150	\$ 1,810,342	\$ 909,485	\$ 17,950	\$ 927,435
Special Event Contributions	762,189	-	762,189	757,583	-	757,583
United Way of Metropolitan Chicago	138,748	-	138,748	155,800	-	155,800
Revenue and grants from governmental agencies -						
U.S. Department of Education	227,768	-	227,768	183,333	-	183,333
Chicago Department of Family and Support Services	681,854	-	681,854	454,136	-	454,136
Cook County Board of Commissioners	200,920	-	200,920	187,401	-	187,401
Chicago Board of Education	-	-	-	-	-	-
Chicago Housing Authority	-	-	-	-	-	-
Illinois State Board of Education	68,199	-	68,199	68,693	-	68,693
Illinois Department of Human Services	63,993	-	63,993	-	-	-
Illinois Criminal Justice Information Authority	12,561	-	12,561	-	-	-
Other revenue	50,710	-	50,710	119,289	-	119,289
Total support and revenue	<u>\$ 3,827,134</u>	<u>\$ 190,150</u>	<u>\$ 4,017,284</u>	<u>\$ 2,835,720</u>	<u>\$ 17,950</u>	<u>\$ 2,853,670</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	\$ 4,048	\$ (4,048)	\$ -	\$ 34,795	\$ (34,795)	\$ -
FUNCTIONAL EXPENSES:						
Program expenses	3,337,454	-	3,337,454	2,366,943	-	2,366,943
Management and general	153,756	-	153,756	167,258	-	167,258
Fundraising	253,664	-	253,664	302,350	-	302,350
Total functional expenses	3,744,874	-	3,744,874	2,836,551	-	2,836,551
CHANGE IN NET ASSETS	86,308	186,102	272,410	33,964	(16,845)	17,119
NET ASSETS, Beginning of year	1,123,046	137,546	1,260,592	1,089,082	154,391	1,243,473
NET ASSETS, End of year	<u>\$ 1,209,354</u>	<u>\$ 323,648</u>	<u>\$ 1,533,002</u>	<u>\$ 1,123,046</u>	<u>\$ 137,546</u>	<u>\$ 1,260,592</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 272,410	\$ 17,119
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	40,275	34,938
Unrealized loss on investments	894	-
Donated Stock	(73,529)	-
(Increase) in grants receivable	(161,754)	(171,607)
(Increase) decrease in prepaid expenses	(49,019)	4,088
Increase (decrease) in accounts payable and accrued expenses	(30,349)	67,845
(Decrease) in grant advance	(67,100)	(121,610)
Net adjustments	<u>(340,582)</u>	<u>(186,346)</u>
Net cash (used in) operating activities	<u>(68,172)</u>	<u>(169,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(47,707)	(21,217)
Purchase of investments	(249)	-
Net cash (used in) investing activities	<u>(47,956)</u>	<u>(21,217)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(116,128)	(190,444)
CASH AND CASH EQUIVALENTS, Beginning of year	246,406	436,850
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 130,278</u>	<u>\$ 246,406</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 1,373</u>	<u>\$ 2,161</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,246,570	\$ 62,009	\$ 62,008	\$ 2,370,587
Employee benefits	260,037	7,063	7,063	274,163
Payroll taxes	181,212	4,901	4,901	191,014
Professional fees and contracts	122,872	18,833	15,923	157,628
Supplies	92,679	10,120	4,394	107,193
Telephone	15,650	1,620	1,347	18,617
Postage and shipping	2,362	1,736	322	4,420
Occupancy	4,732	-	51	4,783
Fundraising events	-	-	117,111	117,111
Utilities	14,238	1,563	1,563	17,364
Equipment rental	40,296	1,871	1,811	43,978
Outside printing	10,870	1,296	7,783	19,949
Transportation	27,859	2,258	1,966	32,083
Conferences and meetings	20,856	4,802	1,332	26,990
Specific assistance to individuals	155,678	18,284	8,332	182,294
Repairs and maintenance	72,430	8,530	8,140	89,100
Depreciation	33,026	3,624	3,625	40,275
Interest expense	-	1,373	-	1,373
Miscellaneous	36,087	3,873	5,992	45,952
	<u>\$ 3,337,454</u>	<u>\$ 153,756</u>	<u>\$ 253,664</u>	<u>\$ 3,744,874</u>
Total functional expenses	<u>\$ 3,337,454</u>	<u>\$ 153,756</u>	<u>\$ 253,664</u>	<u>\$ 3,744,874</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
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
Fundraising events	-	-	137,954	137,954
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
Total functional expenses	<u>\$ 2,366,943</u>	<u>\$ 167,258</u>	<u>\$ 302,350</u>	<u>\$ 2,836,551</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(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 December 11, 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, 2018 and 2017, 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.

Investments -

Investments are carried at fair value, except for certificates of deposit which are carried at cost. Realized and unrealized gains and losses are reflected in the statement of activities.

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 \$300. 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 2018 and 2017, BUILD did not receive contributions 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, 2018. 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 fiscal years before 2015. 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) INVESTMENTS:

As of June 30, 2018 and 2017, investments are comprised of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 249	\$ -
Common stock	72,635	-
Certificate of deposit	<u>65,612</u>	<u>65,612</u>
	<u>\$ 138,496</u>	<u>\$ 65,612</u>

(2) INVESTMENTS: (Continued)

Investment return consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 249	\$ -
Unrealized (losses) on investments	<u>(894)</u>	<u>-</u>
Total investment return	<u>\$ (645)</u>	<u>\$ -</u>

(3) FAIR VALUE MEASUREMENTS:

BUILD adopted Accounting Standards Codification (ASC), *Fair Value Measurements*. The ASC establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

The ASC established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by the ASC are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the BUILD's market assumptions. These two types of inputs create the following fair value hierarchy.

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

(3) FAIR VALUE MEASUREMENTS: (Continued)

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Money Market: Valued at cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although BUILD believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

Description	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Common Stock-				
Large Cap Core	\$ 37,085	\$ -	\$ -	\$ 37,085
Large Cap Value	9,065	-	-	9,065
Large Cap Growth	19,646	-	-	19,646
Mid Cap Value	6,839	-	-	6,839
Total Common Stock	72,635	-	-	72,635
Money market funds	249	-	-	249
Total assets at fair value	\$ 72,884	\$ -	\$ -	72,884
Certificates of deposit				65,612
Total investments				\$ 138,496

(3) FAIR VALUE MEASUREMENTS: (Continued)

Description	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Common Stock-				
Large Cap Core	\$ -	\$ -	\$ -	\$ -
Large Cap Value	-	-	-	-
Large Cap Growth	-	-	-	-
Mid Cap Value	-	-	-	-
Total Common Stock	-	-	-	-
Money market funds	-	-	-	-
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-
Certificates of deposit				<u>65,612</u>
Total investments				<u>\$ 65,612</u>

(4) 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 youths 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.

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.

(5) 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, 2018 and 2017 was \$24,771 and \$20,739, respectively.

Minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2019	\$ 17,674
2020	<u>12,256</u>
	<u>\$ 29,930</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, 2018, \$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.

(6) LINE OF CREDIT:

BUILD had a \$200,000 line of credit with a bank that matured in May, 2019, bearing interest at prime (5.00% at June 30, 2018) plus 2%, with a minimum interest rate of 6.75%. The line was secured by substantially all business assets of BUILD and BUILD had a certificate of deposit as collateral. As of June 30, 2018 and 2017, BUILD has no borrowing on the line of credit.

(7) 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, 2018 and 2017.

(8) FUTURE COMMITTED REVENUE:

BUILD received the following future commitments from granting agencies as of June 30, 2018:

	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of June 30, 2018</u>	<u>Funding Available</u>
U.S. Department of Education	09/01/16 to 8/31/21	\$ 1,200,000	\$ 346,362	\$ 853,638

(9) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets available for the following purposes as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Purpose restricted –		
Heilman/Abbey Scholarship Fund	\$ -	\$ 718
Capital Campaign	85,575	83,925
BUILDing Futures	<u>49,573</u>	<u>52,903</u>
	135,148	137,546
Time restricted –	<u>188,500</u>	<u>-</u>
Total	<u>\$ 323,648</u>	<u>\$ 137,546</u>

(10) SUBSEQUENT EVENT:

In September 2018, BUILD received an unconditional promise to give of approximately \$1,000,000 from a foundation for Capital Campaign.