

BUILD, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND 2020**

TOGETHER WITH AUDITOR'S REPORT

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, 2021 and 2020, 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, 2021 and 2020, 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

Warrenville, Illinois
June 10, 2022

BUILD, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,517,432	\$ 2,704,397
Grants receivable	588,944	653,314
Pledges receivable, current	26,250	589,450
Investments	65,612	122,156
Prepaid expenses	92,428	70,767
	<u>5,290,666</u>	<u>4,140,084</u>
PROPERTY AND EQUIPMENT:		
Land	32,500	32,500
Building	888,891	849,224
Equipment	341,427	305,482
Vehicle	119,311	79,311
Construction in progress	-	39,667
	<u>1,382,129</u>	<u>1,306,184</u>
Less: Accumulated depreciation	<u>461,456</u>	<u>354,798</u>
	<u>920,673</u>	<u>951,386</u>
OTHER ASSETS:		
Pledges receivable, net of current and discount	<u>1,522,437</u>	<u>895,155</u>
	<u>\$ 7,733,776</u>	<u>\$ 5,986,625</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Line of credit	\$ 225,000	\$ 475,000
Accounts payable and accrued expenses	791,676	547,434
Refundable advances	48,747	390,949
	<u>1,065,423</u>	<u>1,413,383</u>
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	1,044,234	1,461,648
With donor restrictions	<u>5,624,119</u>	<u>3,111,594</u>
	<u>6,668,353</u>	<u>4,573,242</u>
	<u>\$ 7,733,776</u>	<u>\$ 5,986,625</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support -						
Contributions	\$ 2,230,928	\$ 75,000	2,305,928	\$ 2,875,591	\$ 75,000	\$ 2,950,591
Capital campaign contributions	-	3,391,620	3,391,620	-	2,521,840	2,521,840
Special Event Contributions	25,278	-	25,278	776,555	-	776,555
Annual Dinner	708,259	-	708,259	-	-	-
United Way of Metropolitan Chicago	-	-	-	153,485	-	153,485
After School Matters	-	-	-	10,963	-	10,963
Local initiatives support	-	-	-	7,000	-	7,000
Revenue and grants from governmental agencies -						
U.S. Department of Education	279,367	-	279,367	221,434	-	221,434
Chicago Department of Family and Support Services	943,845	-	943,845	679,643	-	679,643
Cook County Board of Commissioners	180,000	-	180,000	50,000	-	50,000
Illinois State Board of Education	82,544	-	82,544	55,911	-	55,911
Illinois Department of Human Services	205,940	-	205,940	184,233	-	184,233
Illinois Criminal Justice Information Authority	638,685	-	638,685	645,372	-	645,372
Grant under CARES Act	389,055	-	389,055	501,345	-	501,345
Department of Public Health	598,981	-	598,981	177,474	-	177,474
Other governmental grant	332,441	-	332,441	-	-	-
Other revenue	41,492	-	41,492	25,109	-	25,109
Total support and revenue	\$ 6,656,815	\$ 3,466,620	\$ 10,123,435	\$ 6,364,115	\$ 2,596,840	\$ 8,960,955

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	\$ 954,095	\$ (954,095)	\$ -	\$ 248,088	\$ (248,088)	\$ -
FUNCTIONAL EXPENSES:						
Program expenses	6,342,815	-	6,342,815	4,940,504	-	4,940,504
Management and general	1,112,590	-	1,112,590	969,966	-	969,966
Fundraising	572,919	-	572,919	533,312	-	533,312
Total functional expenses	8,028,324	-	8,028,324	6,443,782	-	6,443,782
CHANGE IN NET ASSETS	(417,414)	2,512,525	2,095,111	168,421	2,348,752	2,517,173
NET ASSETS, Beginning of year	1,461,648	3,111,594	4,573,242	1,293,227	762,842	2,056,069
NET ASSETS, End of year	<u>\$ 1,044,234</u>	<u>\$ 5,624,119</u>	<u>\$ 6,668,353</u>	<u>\$ 1,461,648</u>	<u>\$ 3,111,594</u>	<u>\$ 4,573,242</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,095,111	\$ 2,517,173
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	106,658	86,934
Realized (gain) loss on investments	401,587	(357,165)
Unrealized (gain) loss on investments	(403,072)	344,799
Donated Stock	(728,734)	(554,445)
Cash contributions received in current year for long-term purposes	(3,327,538)	(1,054,989)
Decrease in grants receivable	64,370	50,928
(Increase) in pledges receivable	(64,082)	(1,466,851)
(Increase) decrease in prepaid expenses	(21,661)	4,473
Increase in accounts payable and accrued expenses	244,242	255,413
Increase (decrease) in refundable advances	(342,202)	382,064
Net adjustments	<u>(4,070,432)</u>	<u>(2,308,839)</u>
Net cash provided by (used in) operating activities	<u>(1,975,321)</u>	<u>208,334</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(75,945)	(213,801)
Purchase of investments	-	478,433
Proceeds from sale of investments	<u>786,763</u>	<u>31,845</u>
Net cash provided by investing activities	<u>710,818</u>	<u>296,477</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) from line of credit	(250,000)	475,000
Proceeds from contributions restricted for long-term purposes	<u>3,327,538</u>	<u>1,054,989</u>
Net cash provided by financing activities	<u>3,077,538</u>	<u>1,529,989</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,813,035	2,034,800
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,704,397</u>	<u>669,597</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 4,517,432</u>	<u>\$ 2,704,397</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 15,748</u>	<u>\$ 22,989</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,751,533	\$ 792,667	\$ 371,482	\$ 4,915,682
Employee benefits	366,183	81,104	40,792	488,079
Payroll taxes	323,701	61,390	28,572	413,663
Professional fees and contracts	821,083	95,509	38,721	955,313
Supplies	302,999	20,032	3,161	326,192
Telephone	20,351	2,426	1,598	24,375
Postage and shipping	3,279	462	599	4,340
Occupancy	27,618	687	326	28,631
Fundraising events	-	-	47,106	47,106
Utilities	16,988	1,787	1,137	19,912
Equipment rental	35,230	5,284	3,523	44,037
Outside printing	4,074	1,253	15,601	20,928
Transportation	54,571	6,416	3,151	64,138
Conferences and meetings	6,606	792	621	8,019
Specific assistance to individuals	352,025	-	-	352,025
Repairs and maintenance	62,719	8,362	5,291	76,372
Depreciation	106,658	-	-	106,658
Interest expense	13,043	2,705	-	15,748
Miscellaneous	74,154	31,714	11,238	117,106
	<u>\$ 6,342,815</u>	<u>\$ 1,112,590</u>	<u>\$ 572,919</u>	<u>\$ 8,028,324</u>
Total functional expenses	<u>\$ 6,342,815</u>	<u>\$ 1,112,590</u>	<u>\$ 572,919</u>	<u>\$ 8,028,324</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,097,036	\$ 712,938	\$ 350,895	\$ 4,160,869
Employee benefits	405,248	81,711	25,102	512,061
Payroll taxes	241,616	59,127	26,820	327,563
Professional fees and contracts	166,031	43,907	24,361	234,299
Supplies	140,284	8,898	4,595	153,777
Telephone	20,688	2,629	1,751	25,068
Postage and shipping	2,757	862	510	4,129
Occupancy	5,100	-	130	5,230
Fundraising events	-	-	60,823	60,823
Utilities	13,404	1,849	1,233	16,486
Equipment rental	40,338	3,305	2,192	45,835
Outside printing	4,601	576	9,644	14,821
Transportation	34,094	8,284	1,806	44,184
Conferences and meetings	5,859	607	947	7,413
Specific assistance to individuals	426,683	-	-	426,683
Repairs and maintenance	205,014	11,661	7,597	224,272
Depreciation	76,951	5,990	3,993	86,934
Interest expense	2,816	19,891	282	22,989
Miscellaneous	51,984	7,731	10,631	70,346
	<u>\$ 4,940,504</u>	<u>\$ 969,966</u>	<u>\$ 533,312</u>	<u>\$ 6,443,782</u>
Total functional expenses	<u>\$ 4,940,504</u>	<u>\$ 969,966</u>	<u>\$ 533,312</u>	<u>\$ 6,443,782</u>

The accompanying notes are an integral part of this statement.

BUILD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) NATURE OF OPERATIONS AND 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.

The financial statements were available to be issued on June 10, 2022 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), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, BUILD is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of BUILD. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of BUILD and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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.

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. As of June 30, 2021 and 2020, BUILD had approximately \$4,200,000 and \$2,400,000, respectively, in commercial banks in excess of insured limits.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Grant Receivables -

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

Pledge Receivables -

Pledge receivables are considered unconditional promises to give. They are recognized as receivables and contributions in the period the pledge is made. Pledges receivable in excess of one year are discounted to their net present value. The discount on those amounts is computed using risk-free rates applicable to the years in which the pledges are received. The allowance for doubtful accounts is based on BUILD's historical collection experience. For the years ended June 30, 2021 and 2020, there was no allowance for doubtful accounts on pledges receivable.

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.

Revenue Recognition for Grants and Contributions -

BUILD recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. BUILD reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. BUILD received donated stock totaling \$728,734 and \$554,445 for the years ended June 30, 2021 and 2020, respectively.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Revenue Recognition for Grants and Contributions - (Continued)

Gifts of property and equipment are reported as support without donor restrictions, 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.

A portion of BUILD's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when BUILD has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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 2021 and 2020, 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.

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 2018. BUILD does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include salaries and related expenses which are allocated on the basis of estimated of time and effort, and professional fees and contracts, supplies, telephone, postage and shipping, occupancy, utilities, equipment rental, outside printing, transportation, conferences and meetings, repairs and maintenance, depreciation, and miscellaneous which are allocated on the basis of full-time equivalents.

(2) PLEDGES RECEIVABLE:

Included in pledges receivable are the following unconditional promises to give

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 1,617,200	\$ 1,526,400
Less - Unamortized discounts	<u>68,513</u>	<u>41,795</u>
Net unconditional promises to give	<u>\$ 1,548,687</u>	<u>\$ 1,484,605</u>
	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 26,250	\$ 589,450
One to five years	<u>1,522,437</u>	<u>895,155</u>
	<u>\$ 1,548,687</u>	<u>\$ 1,484,605</u>

(3) INVESTMENTS:

As of June 30, 2021 and 2020, investments are comprised of the following:

	<u>2021</u>	<u>2020</u>
Common stock	\$ -	\$ 56,544
Certificate of deposit	<u>65,612</u>	<u>65,612</u>
	<u>\$ 65,612</u>	<u>\$ 122,156</u>

(3) INVESTMENTS: (Continued)

Investment return consisted of the following on June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 21	\$ 2,745
Unrealized (losses) on investments	403,072	(344,799)
Realized gain on sale of investments	(401,587)	357,165
Investment management fees	<u>(16)</u>	<u>(12)</u>
Total investment return	<u>\$ 1,490</u>	<u>\$ 15,099</u>

(4) 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.

(4) 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, 2021 and 2020.

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

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, BUILD's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	-	-	-	-
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-
Certificates of deposit				<u>65,612</u>
Total investments				<u>\$ 65,612</u>

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	<u>56,544</u>	-	-	<u>56,544</u>
Total assets at fair value	<u>\$ 56,544</u>	<u>\$ -</u>	<u>\$ -</u>	56,544
Certificates of deposit				<u>65,612</u>
Total investments				<u>\$ 122,156</u>

(5) 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.

(6) COMMITMENTS AND CONTINGENCIES:

BUILD has operating leases for equipment which expire at various dates until April, 2024. Lease expense for the years ended June 30, 2021 and 2020 was \$36,204 and \$29,284, respectively.

Minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2022	\$ 45,527
2023	12,864
2024	<u>7,848</u>
	<u>\$ 66,239</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.

(6) COMMITMENTS AND CONTINGENCIES: (Continued)

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, 2021, \$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.

(7) LINE OF CREDIT:

BUILD has a \$1,000,000 line of credit with a bank that matured in May, 2022, and is in the processing of renewing the terms. The line bears interest at prime (3.06% on June 30, 2021) plus 2.5%. The line is secured by substantially all business assets of BUILD. As of June 30, 2021 and 2020, BUILD had a balance of \$225,000 and \$475,000, respectively.

(8) 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, 2021 and 2020.

(9) FUTURE COMMITTED REVENUE:

BUILD received the following future commitments from granting agencies as of June 30, 2021:

	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of June 30, 2021</u>	<u>Funding Available</u>
U.S. Department of Education	09/01/16 to 08/31/21	\$ 1,200,000	\$ 1,139,983	\$ 60,017

(10) CONDITIONAL GRANT:

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in April, 2020, BUILD obtained a Payroll Protection Program (PPP) loan in the amount of \$890,400. The interest rate on this loan is 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable covered period, with the final payment due in April, 2022. As part of the PPP loan agreement, a portion of the loan can be forgiven. The Organization intends to maximize the forgiven portion of this loan as allowed under the Act.

(10) CONDITIONAL GRANT: (Continued)

BUILD has determined that the loan represents, in substance, a conditional grant as allowed under ASC 958-605 which recognizes revenue on nonexchange transactions when the barriers to the grants have been met. Per stipulations outlined in the CARES Act, BUILD is using the monies from the PPP loan to fund payroll and other costs. Accordingly, the BUILD recognizes a portion of the loan as contribution at the end of each payroll period that is funded by the PPP monies.

	<u>2021</u>	<u>2020</u>
Refundable advance for PPP loan, beginning of year	\$ 389,055	\$ -
Funds received under PPP conditional grant	-	890,400
Payroll expenses funded by PPP conditional grant	<u>389,055</u>	<u>501,345</u>
Refundable advance as of June 30, 2021	<u>\$ -</u>	<u>\$ 389,055</u>

(11) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions available for the following purposes as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Purpose restricted -		
Capital Campaign	\$ 5,549,119	\$ 3,036,594
Time restricted -	<u>75,000</u>	<u>75,000</u>
Total	<u>\$ 5,624,119</u>	<u>\$ 3,111,594</u>

(12) LIQUIDITY AND AVAILABILITY:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 4,517,432	\$ 2,704,397
Investments	65,612	122,156
Contributions, grants, pledges receivable (current)	<u>615,194</u>	<u>1,242,764</u>
Total financial assets	5,198,238	4,069,317
Less: Assets with donor restrictions	<u>4,730,777</u>	<u>2,216,439</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 467,461</u>	<u>\$ 1,852,878</u>

BUILD's goal is to generally maintain enough financial assets to meet 3 months of operating expenses (approximately \$2,000,000).

(12) LIQUIDITY AND AVAILABILITY: (Continued)

Additionally, BUILD maintains a line of credit of \$1,000,000 as of June 30, 2021 and 2020, respectively, as discussed in more detail in Note 7. The available balance on the line of credit was \$775,000 and \$525,000 for the years ended June 30, 2021 and 2020.

BUILD manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability.
- incurring unbudgeted costs only when such costs are funded.
- maintaining adequate liquid assets to fund near-term operating needs.

(13) SUBSEQUENT EVENT:

In January 2022, BUILD created a new entity, BUILD Support Corporation. BUILD is the sole corporate member of the Corporation. BUILD Support Corporation purpose is to support BUILD in obtaining a new market tax credit for a major capital improvement project the Organization has started for building improvements.

BUILD obtained a bridge loan from Illinois Facility Fund (IFF) up to \$5.65 million. The purpose of the bridge loan is to help BUILD develop the correct capital needed to complete the new market tax credit. The balance of the loan as of May, 2022 was approximately \$2.4 million. BUILD has to make monthly interest payments only until the new market tax credit is completed. The interest rate of the bridge loan is 5.25%.