

**BUILD, INC. AND BUILD SUPPORT
CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2022 AND 2021**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BUILD, Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of BUILD, Inc. and BUILD Support Corporation, which comprise the consolidated statement of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended for BUILD and for the period for BUILD Support Corporation from December 27, 2021 (commencement of operations) to June 30, 2022, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BUILD, Inc. and BUILD Support Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended for BUILD and for the period ended for BUILD Support Corporation from December 27, 2021 (commencement of operations) to June 30, 2022 then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of BUILD, Inc. and BUILD Support Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BUILD, Inc. and BUILD Support Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BUILD, Inc. and BUILD Support Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BUILD, Inc. and BUILD Support Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

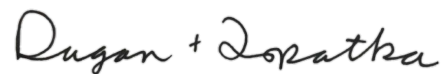
Independent Auditor's Report
To the Board of Directors of
BUILD, Inc.
Page three

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule of financial position for BUILD, Inc and BUILD Support for fiscal year ended June 30, 2022, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of BUILD, Inc. and BUILD Support Corporation' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BUILD, Inc. and BUILD Support Corporation's internal control over financial reporting and compliance.



DUGAN & LOPATKA

Warrenville, Illinois
March 29, 2023

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,507,214	\$ 4,517,432
Cash held in escrow - new market tax credit	12,526,100	-
Grants receivable	871,374	588,944
Pledges receivable, current	540,014	26,250
Investments	65,612	65,612
Prepaid expenses	106,257	92,428
	<u>19,616,571</u>	<u>5,290,666</u>
PROPERTY AND EQUIPMENT:		
Land	621,683	32,500
Building	7,167	888,891
Equipment	341,427	341,427
Vehicle	119,311	119,311
Construction in progress	9,512,426	-
	<u>10,602,014</u>	<u>1,382,129</u>
Less: Accumulated depreciation	<u>281,747</u>	<u>461,456</u>
Net property and equipment	<u>10,320,267</u>	<u>920,673</u>
OTHER ASSETS:		
Note receivable	15,815,312	-
Pledges receivable, net of current and discount	168,290	1,522,437
	<u>15,983,602</u>	<u>1,522,437</u>
	<u>\$ 45,920,440</u>	<u>\$ 7,733,776</u>

The accompanying notes are an integral part of this statement.

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Line of credit	\$ 849,060	\$ 225,000
Accounts payable and accrued expenses	1,021,684	791,676
Refundable advances	<u>84,010</u>	<u>48,747</u>
Total current liabilities	<u>1,954,754</u>	<u>1,065,423</u>
COMMITMENTS		
LONG-TERM LIABILITIES		
Note payable	<u>29,799,250</u>	<u>-</u>
Total liabilities	<u>31,754,004</u>	<u>1,065,423</u>
NET ASSETS:		
Without donor restrictions	8,194,872	1,044,234
With donor restrictions	<u>5,971,564</u>	<u>5,624,119</u>
Total net assets	<u>14,166,436</u>	<u>6,668,353</u>
	<u>\$ 45,920,440</u>	<u>\$ 7,733,776</u>

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support -						
Contributions	\$ 2,784,723	\$ 250,000	\$ 3,034,723	\$ 2,230,928	\$ 75,000	2,305,928
Capital campaign contributions	-	9,124,232	9,124,232	-	3,391,620	3,391,620
Special Event Contributions	43,191	-	43,191	25,278	-	25,278
Annual Dinner	944,113	-	944,113	708,259	-	708,259
Revenue and grants from governmental agencies -						
U.S. Department of Education	203,367	-	203,367	279,367	-	279,367
Chicago Department of Family and Support Services	1,158,943	-	1,158,943	943,845	-	943,845
Cook County Board of Commissioners	225,000	-	225,000	180,000	-	180,000
Illinois State Board of Education	6,369	-	6,369	82,544	-	82,544
Illinois Department of Human Services	306,749	-	306,749	205,940	-	205,940
Illinois Criminal Justice Information Authority	956,238	-	956,238	638,685	-	638,685
Grant under CARES Act	-	-	-	389,055	-	389,055
Department of Public Health	433,121	-	433,121	598,981	-	598,981
Other governmental grant	688,583	-	688,583	332,441	-	332,441
Other revenue	19,522	-	19,522	41,492	-	41,492
Total support and revenue	<u>\$ 7,769,919</u>	<u>\$ 9,374,232</u>	<u>\$ 17,144,151</u>	<u>\$ 6,656,815</u>	<u>\$ 3,466,620</u>	<u>\$ 10,123,435</u>

The accompanying notes are an integral part of this statement.

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	\$ 9,026,787	\$ (9,026,787)	\$ -	\$ 954,095	\$ (954,095)	\$ -
FUNCTIONAL EXPENSES:						
Program expenses	7,036,158	-	7,036,158	6,342,815	-	6,342,815
Management and general	1,678,919	-	1,678,919	1,112,590	-	1,112,590
Fundraising	930,991	-	930,991	572,919	-	572,919
Total functional expenses	9,646,068	-	9,646,068	8,028,324	-	8,028,324
CHANGE IN NET ASSETS	7,150,638	347,445	7,498,083	(417,414)	2,512,525	2,095,111
NET ASSETS, Beginning of year	1,044,234	5,624,119	6,668,353	1,461,648	3,111,594	4,573,242
NET ASSETS, End of year	\$ 8,194,872	\$ 5,971,564	\$ 14,166,436	\$ 1,044,234	\$ 5,624,119	\$ 6,668,353

The accompanying notes are an integral part of this statement.

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,498,083	\$ 2,095,111
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	114,582	106,658
Realized loss on investments	555	401,587
Unrealized (gain) on investments	(555)	(403,072)
Donated Stock	-	(728,734)
Cash contributions received in current year for long-term purposes	(9,964,615)	(3,327,538)
Decrease (increase) in grants receivable	(282,430)	64,370
Decrease (increase) in pledges receivable	840,383	(64,082)
(Increase) in prepaid expenses	(13,829)	(21,661)
Increase in accounts payable and accrued expenses	230,008	244,242
Increase (decrease) in refundable advances	35,263	(342,202)
Net adjustments	<u>(9,040,638)</u>	<u>(4,070,432)</u>
Net cash (used in) operating activities	<u>(1,542,555)</u>	<u>(1,975,321)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,514,176)	(75,945)
Loan issued as a note receivable	(15,815,312)	-
Proceeds from sale of investments	-	786,763
Net cash provided by (used in) investing activities	<u>(25,329,488)</u>	<u>710,818</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) from line of credit	624,060	(250,000)
Proceeds from note payable	29,799,250	-
Proceeds from contributions restricted for long-term purposes	9,964,615	3,327,538
Net cash provided by financing activities	<u>40,387,925</u>	<u>3,077,538</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,515,882	1,813,035
CASH AND CASH EQUIVALENTS, Beginning of year	<u>4,517,432</u>	<u>2,704,397</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 18,033,314</u>	<u>\$ 4,517,432</u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 5,507,214	\$ 4,517,432
Cash held in escrow	12,526,100	-
Total cash and cash equivalents	<u>\$ 18,033,314</u>	<u>\$ 4,517,432</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 32,579</u>	<u>\$ 15,748</u>

The accompanying notes are an integral part of this statement.

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Expense	Management and General	Fundraising	Total
Salaries	\$ 4,177,756	\$ 1,000,509	\$ 446,700	\$ 5,624,965
Employee benefits	443,973	81,117	41,870	566,960
Payroll taxes	369,913	74,456	30,494	474,863
Professional fees and contracts	616,281	339,644	58,555	1,014,480
Supplies	287,125	17,383	7,101	311,609
Telephone	18,462	2,377	1,550	22,389
Postage and shipping	4,439	816	980	6,235
Occupancy	59,000	8,478	2,325	69,803
Fundraising events	-	14,340	264,711	279,051
Utilities	49,345	6,498	4,274	60,117
Equipment rental	34,231	10,523	3,697	48,451
Outside printing	15,062	9,105	13,503	37,670
Transportation	77,062	7,072	12,351	96,485
Conferences and meetings	22,384	182	5	22,571
Specific assistance to individuals	445,918	-	-	445,918
Repairs and maintenance	139,421	1,675	1,026	142,122
Depreciation	94,882	11,820	7,880	114,582
Interest expense	-	32,579	-	32,579
Miscellaneous	180,904	60,345	33,969	275,218
	<u>\$ 7,036,158</u>	<u>\$ 1,678,919</u>	<u>\$ 930,991</u>	<u>\$ 9,646,068</u>
Total functional expenses				

The accompanying notes are an integral part of this statement.

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Expense	Management and General	Fundraising	Total
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. AND BUILD SUPPORT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

BUILD (Broader Urban Involvement & Leadership Development) is one of Chicago's leading gang intervention, violence prevention, and youth development organizations. BUILD's mission is to inspire hope and offer opportunities so youth facing systemic obstacles can achieve positive futures. BUILD focuses on hard-to-serve youth in some of Chicago's most challenging neighborhoods. BUILD does this through expertise in youth development, violence prevention/intervention and coalition building.

BUILD Support is a not-for-profit organization formed in December 2021 to separate considerations from BUILD's general operations, including isolating certain real estate activities and liabilities from BUILD's overall charitable activities and assets. BUILD Support operates exclusively for the benefit of BUILD, Inc. BUILD, Inc and BUILD Support worked together to obtain financing, including New Market Tax Credits (NMTC) to fund the construction of new office space, and youth and community hub at 5100 West Harrison Street, Chicago. Upon completion, BUILD Support will lease the property to BUILD to operate, all in support of or for the benefit of BUILD's tax-exempt purposes.

Basis of Consolidation -

BUILD is consolidated with BUILD Support Corporation (Support) for financial reporting purposes due to the fact the BUILD Support Corporation is organized and will be operated at all times exclusively for the benefit of BUILD. All significant intercompany account balances and transactions have been eliminated.

The financial statements were available to be issued on March 29, 2023 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.

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

Basis of Presentation - (continued)

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, 2022 and 2021, BUILD had approximately \$4,900,000 and \$4,200,000, respectively, in commercial banks in excess of insured limits.

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, 2022 and 2021, there was no allowance for doubtful accounts on pledges receivable.

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.

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

Revenue Recognition for Grants and Contributions -

BUILD recognizes contributions when cash, securities, 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 \$0- and \$728,734 for the years ended June 30, 2022 and 2021, respectively.

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 2022 and 2021, 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.

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

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 Support has filed their 1023 application with the Internal Revenue Services (IRS) to be recognized as a 501(c)(3) organization and they are waiting for their IRS determination letter.

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.

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) NEW MARKET TAX CREDIT PROGRAM:

The New Market Tax Credit (NMTC) program was designed to stimulate investment and economic growth in low-income communities by offering taxpayers a 39% tax credit against federal income taxes over a seven year period for Qualified Equity Investment (QEIs) in designated Community Development Entities (CDEs). CDEs receive NMTC allocations pursuant to Section 45 D of the Internal Revenue Code. These designated CDEs must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICI). To earn the tax credit, the QEI must remain invested in the CDE for a seven-year period. Also, the entity receiving the loans needs to be treated as a Qualified Active Low-Income Community Business (QALICB) for the duration of the seven-year period. The QALICB requirements are outlined in Treasury Regulation Section 1.45D-1 (d)(4)(i).

Prior to NMTC closing, BUILD received funding from a variety of sources including private foundations, individuals, and BUILD's internal reserves, and other charitable organizations to fund the construction of a new building and renovation of BUILD existing building which is classified as construction in process. The combined amount of the pre-close funding approximated \$15,815,000.

(2) NEW MARKET TAX CREDIT PROGRAM: (Continued)

As part of the closing, the BUILD funds raised prior to closing were used to pay transaction costs, provide for the initial capitalization of BUILD Support, and to fund the NMTC leveraged loan receivable (see Note 5) to Chase NMTC BUILD Investment Fund, LLC (BIF), a third party unrelated to BUILD and BUILD Support.

BIF used approximately \$15,800,000 funding from the leveraged loan received from BUILD (see note 5) and approximately \$6,500,000 capital contributions from unrelated entities to invest into four CDEs. BIF made capital contributions in the aggregate of \$22,075,000 as follows: (i) CDF Suballocate XLIV, LLC of \$7,000,000, (ii) IFF Capital 35, LLC of \$6,575,000, (iii) New Markets Investment 142, LLC of \$ 5,500,000, and (iii) CNMC Sub-CDE 206, LLC of \$3,000,000. The CDEs, in turn, used the funding to originate the four QLICI Loans (see Note 9) due from BUILD Support. BUILD Support used the proceeds from these loans to fund the cash in escrow funds, pay professional fees associated with the NMTC transactions, and fund construction costs. The cash in escrow (\$12,526,100) is in a separate cash account and is subject to withdrawals for the construction cost approved by CDEs.

(3) PLEDGES RECEIVABLE, NET:

Included in pledges receivable are the following unconditional promises to give:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 721,939	\$ 1,617,200
Less - Unamortized discounts	<u>13,635</u>	<u>68,513</u>
Net unconditional promises to give	<u>\$ 708,304</u>	<u>\$ 1,548,687</u>
	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 540,014	\$ 26,250
One to five years	<u>168,290</u>	<u>1,522,437</u>
	<u>\$ 708,304</u>	<u>\$ 1,548,687</u>

(4) INVESTMENTS:

As of June 30, 2022 and 2021, investments are comprised of the following:

	<u>2022</u>	<u>2021</u>
Certificate of deposit, at cost	\$ 65,612	\$ 65,612
	<u>\$ 65,612</u>	<u>\$ 65,612</u>

(4) INVESTMENTS: (Continued)

Investment return consisted of the following on June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 2	\$ 21
Unrealized gain (losses) on investments	555	403,072
Realized gain (loss) on sale of investments	(555)	(401,587)
Investment management fees	<u>-</u>	<u>(16)</u>
Total investment return	<u>\$ 2</u>	<u>\$ 1,490</u>

(5) NOTE RECEIVABLE:

In June, 2022, BUILD transferred cash and fixed assets to an BIF in exchange for a leveraged loan to a third party. The note bears interest at 1.20% and BUILD will receive annual interest payments until December, 2029. In December, 2029, BUILD will start receiving annual principal and interest payments of \$856,469. The note is due in December, 2050. The note is secured by a security interest in the BIF. The note receivable balance as of June 30, 2022 is \$15,815,312.

BIF and BUILD had also signed a put/call agreement. The put/call agreement goes into effect in June, 2029. BIF will have the right, but not the obligation, to put its interest in the third party to the BUILD for \$1,000. BUILD will then own 100% of the third party.

(6) 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.

(7) COMMITMENTS AND CONTINGENCIES:

BUILD has operating leases for equipment and office space which expire at various dates until May, 2027. Lease expense for the years ended June 30, 2022 and 2021 was \$118,254 and \$36,204, respectively.

Minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2023	\$ 132,043
2024	127,027
2025	114,929
2026	114,079
2027	<u>104,090</u>
	<u>\$ 592,168</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, 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.

(8) LINE OF CREDIT:

BUILD has a \$1,000,000 line of credit with a bank that matures in May, 2023. The line bears interest at prime (4.75% on June 30, 2022) less .19%. The line is secured by substantially all business assets of BUILD. As of June 30, 2022 and 2021, BUILD had a balance of \$849,060 and \$225,000, respectively. Subsequent to year end, BUILD increased the line of credit to \$2,000,000 and the line matures in September, 2023.

(9) NOTE PAYABLE:

	<u>2022</u>	<u>2021</u>
BUILD		
Payable to a third party, monthly interest payments, bearing interest rate at 5.25%, principal payments are due when BUILD receive funds from various donors that promise to give funds upon certain conditions, secured by a building and renovations of building, due February, 2024	5,650,000	-
Payable to a bank, monthly interest payments, bearing interest rate at 5.65%, principal payments are due when BUILD receive funds from various donors that promise to give funds upon certain conditions, secured by a building and renovations of building, due December, 2024	<u>2,500,000</u>	-
BUILD total note payable	<u>8,150,000</u>	-
BUILD Support Corporation		
Payable to a third party, annually interest payments for the first seven years at 1.0%, changing in December, 2031 to annually principal and interest payments of \$291,176, due in December, 2056, secured by a building and renovations of building	6,860,000	-
Payable to a third party, annually interest payments for the first seven years at 1.0%, changing in December, 2031 to annually principal and interest payments of \$127,337, due in December, 2056, secured by a building and renovations of building	3,000,000	-
Payable to a third party, annually interest payments for the first seven years at 1.0%, changing in December, 2031 to annually principal and interest payments of \$276,289, due in December, 2056, secured by a building and renovations of building	6,509,250	-

(9) NOTE PAYABLE: (Continued)

	<u>2022</u>	<u>2021</u>
Payable to a third party, annually interest payments for the first seven years at 1.0%, in December, 2031 to annually principal and interest payments of \$224,112, due in December, 2056, secured by a building and renovations of building	<u>5,280,000</u>	<u>-</u>
BUILD Support Corporation total note payable	<u>21,649,250</u>	<u>-</u>
Total notes payable	29,799,250	-
Less - Current maturities	<u>-</u>	<u>-</u>
Long-term portion	<u>\$ 29,799,250</u>	<u>\$ -</u>

Minimum payments due are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ -
2024	5,650,000
2025	2,500,000
2026	-
2027	-
Thereafter	<u>21,649,250</u>
	<u>\$ 29,799,250</u>

In June, 2029, it is anticipated that the third party, who has loaned BUILD Support Corporation the \$21,649,250, will redeem the notes against BIF in exchange for the investment fund ownership in the third party. This will result in the BIF owning the four notes payable from BUILD Support Corporation. BUILD will then option its put agreement with the BIF (see Note 5). BIF intends, but is not obligated to, exercise this option. If the option is exercised, then BIF will be 100% owned by BUILD and the loans will be forgiven by BUILD.

(10) EMPLOYEE RETIREMENT PLAN:

BUILD provides a defined contribution 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, 2022 and 2021.

(11) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions available for the following purposes as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Purpose restricted -		
Capital Campaign	\$ 5,721,564	\$ 5,549,119
Time restricted -	<u>250,000</u>	<u>75,000</u>
Total	<u>\$ 5,971,564</u>	<u>\$ 5,624,119</u>

(12) LIQUIDITY AND AVAILABILITY:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 5,507,214	\$ 4,517,432
Investments	65,612	65,612
Contributions, grants, pledges receivable (current)	<u>1,411,388</u>	<u>615,194</u>
Total financial assets	6,984,214	5,198,238
Less: Assets with donor restrictions	<u>5,971,564</u>	<u>4,730,777</u>
Financial assets available to meet cash needs for general expenditures that are without donor or other restrictions limiting their use within one year	<u>\$ 1,012,650</u>	<u>\$ 467,461</u>

BUILD's goal is to generally maintain enough financial assets to meet 3 months of operating expenses (approximately \$2,500,000).

Additionally, BUILD maintains a line of credit of \$1,000,000 as of June 30, 2022 and 2021, respectively, as discussed in more detail in Note 7. The available balance on the line of credit was \$150,940 and \$775,000 for the years ended June 30, 2022 and 2021.

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) NEW ACCOUNTING PRONOUNCEMENTS:

The Financial Accounting Standards Board (FASB) has issued a new pronouncement that will affect the accounting for Not-for-Profit's.

- ASU 2016-02 *Leases* will amend the treatment of operating leases by requiring them to be recorded on the balance sheet as an asset and liability. The ASU will be in effect for fiscal year ending 2023.

The BUILD and BUILD Support is in the process of reviewing its records to make sure they are ready for the new reporting that will be required when the new standard is implemented. BUILD and BUILD Support does not plan to early implement this standard.

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
BUILD, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of BUILD, Inc. and BUILD Support Corporation which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the notes to the consolidated financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BUILD Inc's and BUILD Support Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BUILD Inc. and BUILD Support Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of BUILD Inc. and BUILD Support Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as item 2022-001 that we consider to be material weaknesses.

Independent Auditor's Report on
Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards
To the Board of Directors of
BUILD, Inc.
Page two

Report on Compliance and Other Matters

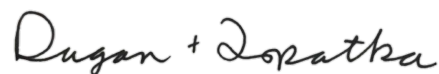
As part of obtaining reasonable assurance about whether BUILD Inc. and BUILD Support Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on BUILD Inc. and BUILD Support Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. BUILD Inc. and BUILD Support Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BUILD Inc. and BUILD Support Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BUILD Inc. and BUILD Support Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DUGAN & LOPATKA

Warrenville, Illinois
March 29, 2023

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors of
BUILD, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited BUILD, Inc. and BUILD Support Corporation's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of BUILD, Inc and BUILD Support Corporation's major federal programs for the year ended June 30, 2022. BUILD, Inc and BUILD Support Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, BUILD, Inc and BUILD Support Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BUILD, Inc and BUILD Support Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of BUILD, Inc and BUILD Support Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the BUILD, Inc and BUILD Support Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BUILD, Inc and BUILD Support Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BUILD Inc and BUILD Support Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BUILD Inc and BUILD Support Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BUILD, Inc and BUILD Support Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BUILD, Inc and BUILD Support Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

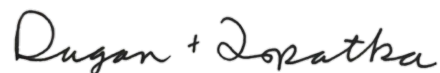
Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



DUGAN & LOPATKA

Warrenville, Illinois
March 29, 2023

BUILD, INC. AND BUILD SUPPORT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor</u>	<u>Pass-through Number</u>	<u>Total Program Expenditures</u>
U.S. Department of Justice:				
Crime Victim Assistance Program	16.575	Illinois Criminal Justice Information Authority	220023	\$ 426,578
Crime Victim Assistance Program	16.575	Illinois Criminal Justice Information Authority	218085	<u>245,843</u>
Total Crime Victim Assistance Program				672,421*
Juvenile Justice and Delinquency Prevention	16.540	Illinois Department of Human Services	2FCSAR06015	<u>48,271</u>
Total U.S. Department of Justice				<u>720,692</u>
Department of Housing and Urban Development:				
Community Development Grant-CARES	14.218	Chicago Department of Family & Support Services	154254	\$ 56,939
Community Development Grant-CARES	14.218	Chicago Department of Family & Support Services	158193	67,694
Community Development Grant-CARES	14.218	Chicago Department of Family & Support Services	173596	<u>79,861</u>
Total Department of Housing and Urban Development				<u>204,494</u>
U.S. Department of Treasury:				
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	1FCSZR04878	<u>88,335</u>
U.S. Department of Health and Human Services:				
Temporary Assistance for Needy Families	93.558	Illinois Department of Human Services	0FCSYR04878	161,113
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	City of Chicago Dept. of Public Health	90909	<u>34,681</u>
Total U.S. Department of Health and Human Services				<u>195,794</u>
U.S. Department of Education:				
TRIO Talent Search	84.044			203,367
21 st Century Community Learning Centers	84.287	Illinois State Board of Education	44000100	<u>6,369</u>
Total U.S. Department of Education				<u>209,736</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u>\$ 1,419,051</u>

*Major program

BUILD, INC. AND BUILD SUPPORT CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of BUILD, Inc. and BUILD Support Corporation under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of BUILD, Inc. and BUILD Support Corporation, it is not intended to, and does not, represent the financial position, changes in net assets, or cash flows of BUILD, Inc and BUILD Support Corporation.

Note B - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rates:

BUILD, Inc. and BUILD Support Corporation has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

BUILD, Inc. and BUILD Support Corporation did not have any outstanding federal loans or loan guarantees or insurance at June 30, 2022 and did not receive any federal non-cash awards during the year ended June 30, 2022. BUILD, Inc. and BUILD Support Corporation did not have any sub-recipients during the year ended June 30, 2022.

BUILD, INC. AND BUILD SUPPORT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

PART 1: SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of BUILD, Inc.
2. There were material weaknesses disclosed during the audit of the financial statements. No significant deficiencies related to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of BUILD, Inc. were disclosed during the audit.
4. There were no material weaknesses disclosed during the audit of the major federal award programs. No significant deficiencies related to the audit of the major federal award program are reported.
5. The auditor's report on compliance for the major federal award programs for BUILD, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

Crime Victim Assistance Program	16.575
---------------------------------	--------
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. BUILD, Inc. was determined not to be a low-risk auditee.

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS):

2022-001 (repeat finding of 2021-001)

Criteria: Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, a deficiency in internal control exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, states that any material adjustment made by an auditor is considered a material weakness.

BUILD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS): (Continued)

Condition: There were several material adjustments made during the audit to materially correct assets, liabilities, revenue, and expenses as of June 30, 2022. The following material misstatements were detected because of audit procedures:

- Adjustment of approximately \$895,000 to have general ledger agree to subsidiary ledger of pledge receivables decreasing both receivables and revenue.
- Adjustment of approximately \$137,000 decreasing expenses and increasing fixed assets due to assets being improperly expensed.
- Adjustment of \$250,000 to move unconditional contributions from deferred revenue to revenue.
- Adjustment of approximately \$130,000 to adjust the NMTC leverage loan to the note receivable agreement.

Cause: There was a breakdown in communication between departments that led to variances among reports and account balances. The breakdown in communication was due to the construction of office space which restricted the ability for all departments to work in the same area and the Organization experienced staff turnover in various key departments.

Effect: The financial statements were materially misstated on the accrual basis of accounting before the audit.

Auditor's Recommendation: We recommend that the accounting department sets up procedures to ensure there is regular communication, whether remote or in person, among the accounting staff and the director of finance in order to ensure there is good understanding of the accounting department's objectives and the responsibilities of each team member in meeting those department objectives.

Management response: Management acknowledges and affirms these Findings, and fully endorses the Auditor's Recommendation as described herein. Furthermore, management is taking additional steps to ensure and enhance the accuracy of financial statements, including but not limited to: Updating and/or establishing standardized process documentation, streamlining accounting functions to better support a rapidly growing organization, migrating to a more robust accounting software platform and widening access to tools designed to identify & implement potential systemic improvements.

PART 3: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT:

There were no auditing findings in relation to major federal awards programs tested.

BUILD, INC AND BUILD SUPPORT CORPORATION
SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2021

2021-001

Criteria: Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, a deficiency in internal control exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonably possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, states that any material adjustment made by an auditor is considered a material weakness.

Condition: There were six material adjustments made during the year ending June 30, 2021 to materially correct assets and liabilities at year end. The adjustments decreased investments by approximately \$560,000 and increased accruals by approximately \$77,000. The adjustments also decreased pledge receivables by approximately \$1,250,000. The adjustments to the balance sheet resulted in a decrease to the change in net assets of approximately \$2,000,000.

Cause: There was a change in the director of finance during the year and miscommunication of what cash receipts that came in during the year were for a previous recorded promise to give, current year promise to give or a current year cash contribution.

Status: Repeat finding, see 2022-001.

BUILD, INC. AND BUILD SUPPORT
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>BUILD INC.</u>	<u>BUILD SUPPORT</u>	<u>Consolidated Totals</u>
<u>A S S E T S</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 5,507,214	\$ -	\$ 5,507,214
Cash held in escrow- new market tax credit	-	12,526,100	12,526,100
Grants Receivable	871,374	-	871,374
Pledges Receivable, current	540,014	-	540,014
Investments	65,612	-	65,612
Prepaid expenses	106,257	-	106,257
	<u>7,090,471</u>	<u>12,526,100</u>	<u>19,616,571</u>
Total current assets			
PROPERTY AND EQUIPMENT:			
Land	32,500	589,183	621,683
Building	7,167	-	7,167
Equipment	341,427	-	341,427
Vehicle	119,311	-	119,311
Construction in progress	-	9,512,426	9,512,426
	<u>500,405</u>	<u>10,101,609</u>	<u>10,602,014</u>
Total Fixed Assets			
Less - Accumulated depreciation	<u>281,747</u>	<u>-</u>	<u>281,747</u>
	<u>218,658</u>	<u>10,101,609</u>	<u>10,320,267</u>
Net property and equipment			
OTHER ASSETS:			
Note Receivable- NMTC leverage loan	15,815,312	-	15,815,312
Pledges Receivable net of current	168,290	-	168,290
	<u>15,983,602</u>	<u>-</u>	<u>15,983,602</u>
Total other assets			
	<u>\$ 23,292,731</u>	<u>\$ 22,627,709</u>	<u>\$ 45,920,440</u>

	<u>BUILD INC.</u>	<u>BUILD SUPPORT</u>	<u>Consolidated Totals</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Line of credit	\$ 849,060	\$ -	\$ 849,060
Accounts payable and accrued expenses	1,021,684	-	1,021,684
Refundable advances	84,010	-	84,010
	<u>1,954,754</u>	<u>-</u>	<u>1,954,754</u>
<u>LONG-TERM LIABILITIES</u>			
Note payable, less current maturities	<u>8,150,000</u>	<u>21,649,250</u>	<u>29,799,250</u>
	<u>10,104,754</u>	<u>21,649,250</u>	<u>31,754,004</u>
COMMITMENTS			
NET ASSETS:			
Without donor restrictions - Undesignated	7,216,413	978,459	8,194,872
With donor restrictions	5,971,564	-	5,971,564
	<u>13,187,977</u>	<u>978,459</u>	<u>14,166,436</u>
Total net assets	<u>\$ 23,292,731</u>	<u>\$ 22,627,709</u>	<u>\$ 45,920,440</u>