

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

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022**

TOGETHER WITH AUDITOR'S REPORT



Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

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, 2023 and 2022, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended for BUILD and for the year ended June 30, 2023 and the period from December 27, 2021 (commencement of operations) to June 30, 2022 for BUILD Support Corporation, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years for BUILD and for the year ended June 30, and for the period ended for from December 27, 2021 (commencement of operations) to June 30, 2022 for BUILD Support Corporation in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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, which 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, which 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.

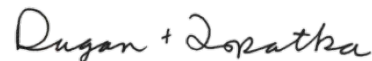
Independent Auditor's Report
To the Board of Directors of
BUILD, Inc.
Page three

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 and statement of activities for BUILD, Inc. and BUILD Support for fiscal year ended June 30, 2023, is presented for purposes of additional analysis and is not a required part of the consolidated 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 purpose of additional analysis and is not a required part of the consolidated 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 combined 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 April 22, 2024, on our consideration of BUILD, Inc. and BUILD Support Corporation's 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
April 22, 2024

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,720,260	\$ 5,507,214
Cash held in escrow - new market tax credit	2,525,543	12,526,100
Grants receivable	2,367,139	871,374
Pledges receivable, current	224,814	540,014
Investments	65,612	65,612
Prepaid expenses	211,396	106,257
	15,114,764	19,616,571
PROPERTY AND EQUIPMENT:		
Land	621,683	621,683
Building	18,467,772	7,167
Equipment	898,509	341,427
Vehicles	119,311	119,311
Construction in progress	1,846,995	9,512,426
	21,954,270	10,602,014
Less: Accumulated depreciation	508,590	281,747
	21,445,680	10,320,267
OTHER ASSETS:		
Note Receivable- NMTC leverage loan	15,815,312	15,815,312
Pledges receivable, net of current and discount	175,282	168,290
	15,990,594	15,983,602
	15,990,594	15,983,602
	15,990,594	15,983,602
Total assets	\$ 52,551,038	\$ 45,920,440

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Line of credit	\$ -	\$ 849,060
Notes payable, current maturities	791,367	-
Accounts payable and accrued expenses	1,350,476	1,021,684
Refundable advances	2,081,853	84,010
	<u>4,223,696</u>	<u>1,954,754</u>
COMMITMENTS		
LONG-TERM LIABILITIES		
Notes payable, net of current maturities	<u>24,149,250</u>	<u>29,799,250</u>
	<u>28,372,946</u>	<u>31,754,004</u>
NET ASSETS:		
Without donor restrictions	21,372,380	8,194,872
With donor restrictions	2,805,712	5,971,564
	<u>24,178,092</u>	<u>14,166,436</u>
	<u>\$ 52,551,038</u>	<u>\$ 45,920,440</u>

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support -						
Contributions	\$ 7,819,069	\$ 139,554	\$ 7,958,623	\$ 2,784,723	\$ 250,000	\$ 3,034,723
Capital campaign contributions	-	7,918,609	7,918,609	-	9,124,232	9,124,232
Special event contributions	4,470	-	4,470	43,191	-	43,191
Annual dinner	685,035	-	685,035	944,113	-	944,113
Revenue and grants from governmental agencies -						
U.S. Department of Education	250,004	-	250,004	203,367	-	203,367
Chicago Department of Family and Support Services	1,796,942	-	1,796,942	1,158,943	-	1,158,943
Cook County Board of Commissioners	-	-	-	225,000	-	225,000
Cook County ARPA (net of grants to subrecipients of \$2,260,604)	525,257	-	525,257	-	-	-
Illinois State Board of Education	230,962	-	230,962	6,369	-	6,369
Illinois Department of Human Services	1,923,474	-	1,923,474	306,749	-	306,749
Illinois Criminal Justice Information Authority	991,633	-	991,633	956,238	-	956,238
Department of Public Health	564,406	-	564,406	433,121	-	433,121
Other governmental grants	1,108,455	-	1,108,455	688,583	-	688,583
Other revenue	153,969	-	153,969	19,522	-	19,522
Total support and revenue	<u>\$ 16,053,676</u>	<u>\$ 8,058,163</u>	<u>\$ 24,111,839</u>	<u>\$ 7,769,919</u>	<u>\$ 9,374,232</u>	<u>\$ 17,144,151</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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose or time restrictions	\$ 11,224,015	\$(11,224,015)	\$ -	\$ 9,026,787	\$ (9,026,787)	\$ -
FUNCTIONAL EXPENSES:						
Program expenses	10,284,678	-	10,284,678	7,036,158	-	7,036,158
Management and general	2,218,741	-	2,218,741	1,678,919	-	1,678,919
Fundraising	1,596,764	-	1,596,764	930,991	-	930,991
Total functional expenses	14,100,183	-	14,100,183	9,646,068	-	9,646,068
CHANGE IN NET ASSETS	13,177,508	(3,165,852)	10,011,656	7,150,638	347,445	7,498,083
NET ASSETS, Beginning of year	8,194,872	5,971,564	14,166,436	1,044,234	5,624,119	6,668,353
NET ASSETS, End of year	\$ 21,372,380	\$ 2,805,712	\$ 24,178,092	\$ 8,194,872	\$ 5,971,564	\$ 14,166,436

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 10,011,656	\$ 7,498,083
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	226,843	114,582
Realized loss on investments	-	555
Unrealized (gain) on investments	-	(555)
Cash contributions received in current year for long-term purposes	(8,226,817)	(9,964,615)
(Increase) in grants receivable	(1,495,765)	(282,430)
Decrease in pledges receivable	308,208	840,383
(Increase) in prepaid expenses	(105,139)	(13,829)
Increase in accounts payable and accrued expenses	328,792	230,008
Increase (decrease) in refundable advances	1,997,843	35,263
Net adjustments	<u>(6,966,035)</u>	<u>(9,040,638)</u>
Net cash provided by (used in) operating activities	<u>3,045,621</u>	<u>(1,542,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(11,490,701)	(9,514,176)
Loan issued as a note receivable	-	(15,815,312)
Net cash (used in) investing activities	<u>(11,490,701)</u>	<u>(25,329,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) from line of credit	(849,060)	624,060
Proceeds from note payable	-	29,799,250
(Payments) on note payable	(4,720,188)	-
Proceeds from contributions restricted for long-term purposes	8,226,817	9,964,615
Net cash provided by financing activities	<u>2,657,569</u>	<u>40,387,925</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,787,511)	13,515,882
CASH AND CASH EQUIVALENTS, Beginning of year	<u>18,033,314</u>	<u>4,517,432</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 12,245,803</u>	<u>\$ 18,033,314</u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 9,720,260	\$ 5,507,214
Cash held in escrow	<u>2,525,543</u>	<u>12,526,100</u>
Total cash and cash equivalents	<u>\$ 12,245,803</u>	<u>\$ 18,033,314</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 54,108</u>	<u>\$ 32,579</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, 2023

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 6,216,844	\$ 1,348,225	\$ 471,772	\$ 8,036,841
Employee benefits	709,565	92,538	57,651	859,754
Payroll taxes	500,643	101,446	33,662	635,751
Professional fees and contracts	382,481	234,149	745,319	1,361,949
Supplies	530,852	122,417	47,472	700,741
Telephone	13,996	1,475	983	16,454
Postage and shipping	381	331	89	801
Occupancy	36,256	24,476	891	61,623
Fundraising events	27,052	8,724	164,625	200,401
Utilities	57,397	33,545	4,387	95,329
Equipment rental	58,502	5,756	3,837	68,095
Outside printing	20,526	11,323	11,739	43,588
Transportation	108,277	43,102	1,359	152,738
Conferences and meetings	13,542	600	400	14,542
Food, emergency support & other program expenses	1,158,329	-	-	1,158,329
Repairs and maintenance	24,658	61,185	1,182	87,025
Depreciation	211,843	9,000	6,000	226,843
Interest expense	36,490	17,618	-	54,108
Grants to subrecipients	2,260,604	-	-	2,260,604
Miscellaneous	177,044	102,831	45,396	325,271
	<u>\$ 12,545,282</u>	<u>\$ 2,218,741</u>	<u>\$ 1,596,764</u>	<u>\$ 16,360,787</u>
Total functional expenses				
Less expenses included with revenue on statement of activities				
Grants to subrecipients	<u>(2,260,604)</u>	<u>-</u>	<u>-</u>	<u>(2,260,604)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 10,284,678</u>	<u>\$ 2,218,741</u>	<u>\$ 1,596,764</u>	<u>\$ 14,100,183</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

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
Food, emergency support & other program expenses	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	<u>\$ 7,036,158</u>	<u>\$ 1,678,919</u>	<u>\$ 930,991</u>	<u>\$ 9,646,068</u>

The accompanying notes are an integral part of this statement.

BUILD, INC. AND BUILD SUPPORT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

BUILD Inc. (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 Corporation 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. BUILD Support leases 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 April 22, 2024 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 and Support 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 and Support 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 and Support. 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 Support 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 and Support 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 and Support to concentrations of credit risk consist principally of cash. BUILD and Support 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, 2023 and 2022, BUILD had approximately \$3,900,000 and \$4,900,000, respectively, in commercial banks in excess of insured limits.

Grant Receivables -

Grant 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. Pledge receivables 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, 2023 and 2022, 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 and Support follow 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.

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 2023 and 2022, 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. 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 2020. BUILD does not expect a material net change in unrecognized tax benefits in the next twelve months.

Refundable Advance -

Refundable advance refers to payments from a grantor where a measurable barrier to recognition of revenue has not yet been met in a conditional government grant. These deposits are recorded as a liability until the barrier to grant has been met.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain 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 estimate of time and effort, and professional fees and contracts, supplies, telephone, postage and shipping, occupancy, utilities, outside printing, transportation, conferences and meetings, repairs and maintenance, depreciation, and miscellaneous which are allocated on the basis of full-time equivalents. Direct costs that are being charged to one program are allocated directly on the functional expenses to the applied program. Indirect costs that are charged to multiple grants are applied on the on the basis of time and effort.

(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 corporate taxpayers a 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).

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

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.

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 (\$2,252,543 and \$12,526,100 as of June 30, 2023 and 2022, respectively) 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>2023</u>	<u>2022</u>
Pledges receivable	\$ 413,731	\$ 721,939
Less - Unamortized discounts	<u>13,635</u>	<u>13,635</u>
Net unconditional promises to give	<u>\$ 400,096</u>	<u>\$ 708,304</u>
	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 224,814	\$ 540,014
One to five years	<u>175,282</u>	<u>168,290</u>
	<u>\$ 400,096</u>	<u>\$ 708,304</u>

(4) INVESTMENTS:

As of June 30, 2023 and 2022, investments are comprised of the following:

	<u>2023</u>	<u>2022</u>
Certificate of deposit, at cost	\$ <u>65,612</u>	\$ <u>65,612</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, 2023 and 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) CONTINGENCIES:

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 from grantor agencies 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.

(8) LINE OF CREDIT:

BUILD has a \$2,000,000 line of credit with a bank that matured in September, 2023. The line bears interest at prime (8.25% on June 30, 2023) less 0.19%. The line is secured by substantially all business assets of BUILD. As of June 30, 2023 and 2022, BUILD had a balance of \$-0- and \$849,060, respectively. This line of credit expired in September 2023 and was replaced with a \$2,500,000 line of credit with comparable terms in November 2023.

(9) NOTE PAYABLE:

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. The loan was paid off in November 2023.

	2023	2022
\$	791,367	\$ 5,650,000

(9) NOTE PAYABLE: (Continued)

	<u>2023</u>	<u>2022</u>
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>	<u>2,500,000</u>
BUILD total note payable	<u><u>3,291,367</u></u>	<u><u>8,150,000</u></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	\$ 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	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	6,509,250
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>5,280,000</u>
BUILD Support Corporation total note payable	<u><u>21,649,250</u></u>	<u><u>21,649,250</u></u>
Total notes payable	24,940,617	29,799,250
Less - Current maturities	<u>791,367</u>	<u>-</u>
Long-term portion	<u><u>\$ 24,149,250</u></u>	<u><u>\$ 29,799,250</u></u>

(9) NOTE PAYABLE: (Continued)

Minimum payments due are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 791,367
2025	2,500,000
2026	-
2027	-
Thereafter	<u>21,649,250</u>
	<u>\$ 24,940,617</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.

In June 2023 BUILD signed a promissory note in the amount of \$5,000,000 with a third party for building improvements. The note requires monthly interest payments and secured by the building improvement. The note matures with a final principal payment in July, 2025. The note bears interest at 6.0%. BUILD has not borrowed any funds from the note as of June 30, 2023.

(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, 2023 and 2022.

(11) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions available for the following purposes as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Purpose restricted -		
Capital Campaign	\$ 2,666,158	\$ 5,721,564
Time restricted -	<u>139,554</u>	<u>250,000</u>
Total	<u>\$ 2,805,712</u>	<u>\$ 5,971,564</u>

(12) LIQUIDITY AND AVAILABILITY:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 9,720,620	\$ 5,507,214
Investments	65,612	65,612
Contributions, grants, pledges receivable (current)	<u>2,591,953</u>	<u>1,411,388</u>
Total financial assets	12,378,185	6,984,214
Less: Assets with donor restrictions	<u>2,805,712</u>	<u>5,971,564</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>\$ 9,572,473</u>	<u>\$ 1,012,650</u>

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

Additionally, BUILD maintains a line of credit of \$2,000,000 and \$1,000,000 as of June 30, 2023 and 2022, respectively, as discussed in more detail in Note 7. The available balance on the line of credit was \$2,000,000 and \$150,940 for the years ended June 30, 2023 and 2022. A new line of credit was agreed upon in November 2023 with an available balance of \$2,500,000.

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.

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, 2023, 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 April 22, 2024.

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 2023-001 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

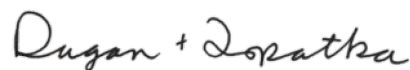
As part of obtaining reasonable assurance about whether BUILD Inc. and BUILD Support Corporation's financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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
April 22, 2024



Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

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, 2023. 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, 2023.

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.

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.

Page two

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.

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.
Page three

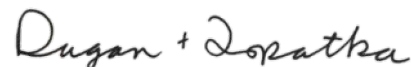
Report on Internal Control Over Compliance

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
April 22, 2024

BUILD, INC. AND BUILD SUPPORT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Program Title	Assistance Listing Number	Pass- Through Grantor	Pass- Through Number	Pass-Through to Sub-Recipients	Total Program Expenditures
U.S. Department of Justice:					
Crime Victim Assistance Program	16.575	Illinois Criminal Justice Information Authority	220023	\$ -	\$ 389,056
Crime Victim Assistance Program	16.575	Illinois Criminal Justice Information Authority	218085	-	<u>101,419</u>
Total Crime Victim Assistance Program				-	<u>490,475</u>
Juvenile Justice and Delinquency Prevention	16.540	Illinois Department of Human Services	2FCSBR06015	-	<u>60,240</u>
Total U.S. Department of Justice				\$ -	<u>\$ 550,715</u>
U.S. Department of Housing and Urban Development:					
Community Development Grant – Cares -CDBG Cluster	14.218	Chicago Department of Family & Support Services	158193	\$ -	<u>\$ 35,804</u>
U.S. Department of Treasury:					
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBX06895	\$ -	\$ 12,528
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBX06894	-	9,241
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBX06893	-	11,128
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBX06748	-	156,108
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBX06724	-	137,575
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBX06723	-	111,549
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSVX06582	-	89,113

BUILD, INC. AND BUILD SUPPORT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Program Title	Assistance Listing Number	Pass- Through Grantor	Pass- Through Number	Pass-Through to Sub-Recipients	Total Program Expenditures
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBX06448	-	247,760
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSBR04878	-	32,081
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSAX06448	-	11,767
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	FCSAR04878	-	3,649
Coronavirus State and Local Fiscal Recovery Fund	21.027	Illinois Department of Human Services	45CBB04207	-	22,040
Coronavirus State and Local Fiscal Recovery Fund	21.027	Cook County Board of Commissioners		<u>\$ 2,260,604</u>	<u>\$ 2,785,860</u>
Total U.S. Department of Treasury				<u>\$ 2,260,604</u>	<u>\$ 3,630,399*</u>
U.S. Department of Health and Human Services:					
Temporary Assistance for Needy Families	93.558	Illinois Department of Human Services	FCSBR04878	\$ -	\$ 13,740
Temporary Assistance for Needy Families	93.558	Illinois Department of Human Services	FCSBR04878	-	54,783
Total U.S. Department of Health and Human Services				<u>\$ -</u>	<u>\$ 68,523</u>
U.S. Department of Education:					
TRIO Talent Search	84.044	Illinois Board of Education		<u>\$ -</u>	<u>\$ 250,004</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u>\$ 2,260,604</u>	<u>\$ 4,535,445</u>

*Major program

BUILD, INC. AND BUILD SUPPORT CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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, 2023 and did not receive any federal non-cash awards during the year ended June 30, 2023.

BUILD, INC. AND BUILD SUPPORT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

PART 1: SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of BUILD, Inc.
2. There was one 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:

Coronavirus State and Local Fiscal Recovery Fund	21.027
--	--------
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):

2023-001 (repeat finding of 2022-001)

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.

BUILD, INC. AND BUILD SUPPORT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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

Condition: There were audit adjustments that materially changed the ending balance of cash, fixed assets and accounts payable for BUILD Support Corporation as of June 30, 2023. The cash balance was overstated by approximately \$19 million, fixed assets were understated by approximately \$20 million and accounts payable were understated by approximately \$1 million.

Cause: The former accounting manager failed to keep up with the activity of construction escrow accounts during the year and the general ledger was not updated for fixed assets additions used through escrows accounts set aside for the construction of a new building.

Effect: Cash, fixed assets and accounts payable were materially misstated on the general ledger for BUILD Support Corporation before the audit. There was minimal effect on change in net assets due to the nature of the transactions was for construction of new building.

Auditor's Recommendation: We recommend that the accounting department keeps up to date with the accounting of BUILD Support throughout the year by performing a reconciliation of construction escrow account on a monthly basis.

Management response: Management acknowledges and affirms these Findings, and fully endorses the Auditor's Recommendation as described herein. Furthermore, management has made significant investments in overhauling the outdated accounting systems that enabled this Finding, including but not limited to: Systemic reorganization of the accounting data infrastructure, 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, 2023

2022-001

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.

Status: Repeat finding, see 2023-001

BUILD, INC. AND BUILD SUPPORT
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2023

	<u>BUILD INC.</u>	<u>BUILD Support Corporation</u>	<u>Elimination</u>	<u>Totals</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 8,810,577	\$ 909,683	\$ -	\$ 9,720,260
Cash held in escrow- new market tax credit	-	2,525,543	-	2,525,543
Grants receivable	2,367,139	-	-	2,367,139
Pledges receivable, current	224,814	-	-	224,814
Investments	65,612	-	-	65,612
Prepaid expenses	211,396	-	-	211,396
Due to/due from	1,761,917	-	(1,761,917)	-
	<u>13,441,455</u>	<u>3,435,226</u>	<u>(1,761,917)</u>	<u>15,114,764</u>
Total current assets				
PROPERTY AND EQUIPMENT:				
Land	32,500	589,183	-	621,683
Building	-	18,467,772	-	18,467,772
Equipment	898,509	-	-	898,509
Vehicles	119,311	-	-	119,311
Construction in progress	-	1,846,995	-	1,846,995
	<u>1,050,320</u>	<u>20,903,950</u>	<u>-</u>	<u>21,954,270</u>
Total property and equipment				
Less - Accumulated depreciation	381,747	126,843	-	508,590
	<u>668,573</u>	<u>20,777,107</u>	<u>-</u>	<u>21,445,680</u>
Net property and equipment				
OTHER ASSETS:				
Note receivable- NMTC leverage loan	15,815,312	-	-	15,815,312
Pledges receivable net of current	175,282	-	-	175,282
	<u>15,990,594</u>	<u>-</u>	<u>-</u>	<u>15,990,594</u>
Total other assets				
Total assets	<u>\$ 30,100,622</u>	<u>\$ 24,212,333</u>	<u>\$ (1,761,917)</u>	<u>\$ 52,551,038</u>

The accompanying notes are an integral part of this statement.

	BUILD INC.	BUILD SUPPORT	Elimination	Totals
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Line of credit	\$ -	\$ -	\$ -	\$ -
Note payables, current maturities	791,367	-	-	791,367
Accounts payable and accrued expenses	1,350,476	-	-	1,350,476
Refundable advances	2,081,853	-	-	2,081,853
Due to/due from	-	1,761,917	(1,761,917)	-
Total current liabilities	4,223,696	1,761,917	(1,761,917)	4,223,696
LONG-TERM LIABILITIES:				
Note payable, less current maturities	2,500,000	21,649,250	-	24,149,250
Total liabilities	6,723,696	23,411,167	(1,761,917)	28,372,946
COMMITMENTS				
NET ASSETS:				
Without donor restrictions	20,571,214	801,166	-	21,372,380
With donor restrictions	2,805,712	-	-	2,805,712
Total net assets	23,376,926	801,166	-	24,178,092
Total liabilities and net assets	\$ 30,100,622	\$ 24,212,333	\$ (1,761,917)	\$ 52,551,038

The accompanying notes are an integral part of this statement.

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	BUILD, Inc	BUILD Support Corporation	Elimination	Total
SUPPORT AND REVENUE:				
Public support -				
Contributions	\$ 7,958,623	\$ -	\$ -	\$ 7,958,623
Capital campaign contributions	7,918,609	-	-	7,918,609
Special event contributions	4,470	-	-	4,470
Annual dinner	685,035	-	-	685,035
Revenue and grants from governmental agencies -				
U.S. Department of Education	250,004	-	-	250,004
Chicago Department of Family and Support Services	1,796,942	-	-	1,796,942
Cook County ARPA	525,257	-	-	525,257
Illinois State Board of Education	230,962	-	-	230,962
Illinois Department of Human Services	1,923,474	-	-	1,923,474
Illinois Criminal Justice Information Authority	991,633	-	-	991,633
Department of Public Health	564,406	-	-	564,406
Other governmental grants	1,108,455	-	-	1,108,455
Other revenue	153,969	-	-	153,969
Total support and revenue	\$ 24,111,839	\$ -	\$ -	\$ 24,111,839

The accompanying notes are an integral part of this statement.

BUILD, INC. AND BUILD SUPPORT CORPORATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>BUILD, Inc</u>	<u>BUILD Support Corporation</u>	<u>Elimination</u>	<u>Total</u>
FUNCTIONAL EXPENSES:				
Program expenses	10,107,385	177,293	-	10,284,678
Management and general	2,218,741	-	-	2,218,741
Fundraising	1,596,764	-	-	1,596,764
Total functional expenses	<u>13,922,890</u>	<u>177,293</u>	<u>-</u>	<u>14,100,183</u>
CHANGE IN NET ASSETS	10,188,949	(177,293)	-	10,011,656
NET ASSETS, Beginning of year	<u>13,187,977</u>	<u>978,459</u>	<u>-</u>	<u>14,166,436</u>
NET ASSETS, End of year	<u>\$ 23,376,926</u>	<u>\$ 801,166</u>	<u>\$ -</u>	<u>\$ 24,178,092</u>

The accompanying notes are an integral part of this statement.