

BUILD FUND, LLC

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended December 31, 2019 and 2018



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Renew Indianapolis, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Build Fund, LLC, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Build Fund, LLC as of December 31, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
June 4, 2020

BUILD FUND, LLC
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 1,475,174	\$ 1,297,781
Grants receivable	6,975	130,827
Related party note receivable - Edge Fund, LLC	500,000	205,000
Prepaid expenses	1,974	1,800
Notes receivable - corporate, net of allowance	3,029,275	2,517,437
Property and equipment, net	<u>13,125</u>	<u>22,824</u>
TOTAL ASSETS	<u><u>\$ 5,026,523</u></u>	<u><u>\$ 4,175,669</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 150,711	\$ 325,884
Accounts payable	-	4,550
Related party accounts payable - King Park Development Corporation	132,468	6,474
Refundable advances	<u>191,625</u>	<u>241,003</u>
<i>Total liabilities</i>	<u>474,804</u>	<u>577,911</u>
NET ASSETS		
Without donor restrictions:		
Board-designated	307,610	193,352
Undesignated	4,228,257	3,372,507
With donor restrictions	<u>15,852</u>	<u>31,899</u>
<i>Total net assets</i>	<u>4,551,719</u>	<u>3,597,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,026,523</u></u>	<u><u>\$ 4,175,669</u></u>

See independent auditors' report and accompanying notes to the financial statements

BUILD FUND, LLC
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT						
Federal awards	\$ 1,062,924	\$ 33,750	\$ 1,096,674	\$ 1,290,134	\$ 52,500	\$ 1,342,634
State and local grants	-	-	-	-	10,000	10,000
Origination fees	9,764	-	9,764	11,405	-	11,405
Interest income from notes receivable	161,336	-	161,336	96,776	-	96,776
Other income	20,584	-	20,584	17,400	-	17,400
Net assets released from restrictions	49,797	(49,797)	-	86,796	(86,796)	-
<i>Total revenues and support</i>	<u>1,304,405</u>	<u>(16,047)</u>	<u>1,288,358</u>	<u>1,502,511</u>	<u>(24,296)</u>	<u>1,478,215</u>
FUNCTIONAL EXPENSES						
Program services	323,791	-	323,791	418,650	-	418,650
Management and general	10,606	-	10,606	11,150	-	11,150
<i>Total expenses</i>	<u>334,397</u>	<u>-</u>	<u>334,397</u>	<u>429,800</u>	<u>-</u>	<u>429,800</u>
CHANGE IN NET ASSETS	970,008	(16,047)	953,961	1,072,711	(24,296)	1,048,415
NET ASSETS						
Beginning of year	<u>3,565,859</u>	<u>31,899</u>	<u>3,597,758</u>	<u>2,493,148</u>	<u>56,195</u>	<u>2,549,343</u>
End of year	<u>\$ 4,535,867</u>	<u>\$ 15,852</u>	<u>\$ 4,551,719</u>	<u>\$ 3,565,859</u>	<u>\$ 31,899</u>	<u>\$ 3,597,758</u>

See independent auditors' report and accompanying notes to the financial statements

BUILD FUND, LLC
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related taxes	\$ 144,682	\$ -	\$ 144,682	\$ 123,234	\$ -	\$ 123,234
Professional fees	84,046	7,852	91,898	81,975	6,000	87,975
Insurance	17,969	2,284	20,253	24,882	5,150	30,032
Office expenses	16,096	-	16,096	15,851	-	15,851
Interest expense	14,114	-	14,114	17,170	-	17,170
Depreciation	9,699	-	9,699	7,370	-	7,370
Bank fees	7,520	-	7,520	1,303	-	1,303
Bad debt expense	6,454	-	6,454	118,897	-	118,897
Retirement plan expenses	5,335	-	5,335	6,176	-	6,176
Development and training	4,744	-	4,744	4,761	-	4,761
Travel	4,250	-	4,250	7,435	-	7,435
Dues and subscriptions	3,869	-	3,869	2,484	-	2,484
Equipment rental	2,998	-	2,998	2,799	-	2,799
Repairs and maintenance	717	-	717	1,790	-	1,790
Consulting fees	453	-	453	-	-	-
Advertising	-	450	450	-	-	-
Postage	83	-	83	201	-	201
Other	762	20	782	2,322	-	2,322
<i>Total functional expenses</i>	<u>\$ 323,791</u>	<u>\$ 10,606</u>	<u>\$ 334,397</u>	<u>\$ 418,650</u>	<u>\$ 11,150</u>	<u>\$ 429,800</u>

See independent auditors' report and accompanying notes to the financial statements

BUILD FUND, LLC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 953,961	\$ 1,048,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,699	7,370
Changes in certain assets and liabilities:		
Grants receivable	123,852	(28,117)
Related party note receivable - Edge Fund, LLC	(295,000)	(205,000)
Prepaid expenses	(174)	(1,800)
Accounts payable	(4,550)	(108,310)
Related party accounts payable - King Park Development Corporation	125,994	6,474
Refundable advances	(49,378)	190,628
	<u>864,404</u>	<u>909,660</u>
<i>Net cash provided by operating activities</i>	<u>864,404</u>	<u>909,660</u>
INVESTING ACTIVITIES		
Issuance of notes receivable - corporate, net of repayments	(511,838)	(464,022)
Purchases of property and equipment	-	(11,250)
	<u>(511,838)</u>	<u>(475,272)</u>
<i>Net cash used in investing activities</i>	<u>(511,838)</u>	<u>(475,272)</u>
FINANCING ACTIVITIES		
Repayments of line of credit, net	(175,173)	(70,446)
	<u>(175,173)</u>	<u>(70,446)</u>
NET INCREASE IN CASH	177,393	363,942
CASH, BEGINNING OF YEAR	<u>1,297,781</u>	<u>933,839</u>
CASH, END OF YEAR	<u>\$ 1,475,174</u>	<u>\$ 1,297,781</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 14,114	\$ 17,170

See independent auditors' report and accompanying notes to the financial statements

BUILD FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Build Fund, LLC (“Build Fund”) is a single-member limited liability company established by King Park for the purpose of lending to businesses in Indianapolis designed to foster economic development.

Financial Statement Presentation – Build Fund reports its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions, which include unrestricted resources that are available for the operating objectives of Build Fund; and
- Net assets with donor restrictions, which represent resources restricted by donors for specific time periods or purposes.

Basis of Accounting and Use of Estimates – The financial statements of Build Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, Build Fund considers all short-term highly-liquid assets with a maturity of three months or less to be cash equivalents. Build Fund had no cash equivalents at December 31, 2019 and 2018.

Grants Receivable – Grants receivable relate primarily to grant funding due from governmental agencies. Build Fund believes all claims are within the terms of the grant agreements. As such, no allowance for doubtful accounts has been made in connection with grant programs.

Related Party Note Receivable - Edge Fund, LLC – Build Fund assisted in financing certain early-stage operations of Edge Fund, LLC, a related party. This balance is unsecured. Management expects repayment in full from Edge Fund, LLC as soon as economically feasible. The note is non-interest bearing.

Notes Receivable – Notes receivable represents loans provided by Build Fund to businesses in fulfillment of its purpose. Build Fund regularly reviews notes receivable for collectability and records an allowance for doubtful accounts when balances are deemed potentially uncollectible. Notes receivable known to be uncollectible are written off directly.

Property and Equipment – Purchases of capital assets and expenditures that materially increase the value or extend the useful lives are capitalized and are included in the accounts at cost. Donated assets are recorded at fair market value at the date received. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The only property and equipment held by Build Fund were software and technology equipment with useful lives of three to five years.

BUILD FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Build Fund is a single-member limited liability company with King Park Development Corporation as its sole member. For tax purposes, Build Fund is a disregarded entity covered by the 501(c)(3) designation of King Park Development Corporation, which qualifies it for treatment as a tax-exempt organization; however, it would be subject to tax on income unrelated to its exempt purpose. For the years ended December 31, 2019 and 2018, no accounting for federal or state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Build Fund to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Build Fund has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The years ended after December 31, 2015 are open to audit for both federal and state purposes.

Reclassifications – Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

Subsequent Events – Build Fund evaluated subsequent events through June 4, 2020, the date these financial statements were available to be issued. Any events occurring through this date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Standard – Effective January 1, 2019, Build Fund adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaced previous revenue recognition guidance under accounting principles generally accepted in the United States of America and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Revenue Recognition Policy – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets during the year in which they are awarded. Build Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated 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 statements of activities and change in net assets as net assets released from restrictions.

Revenues from cost reimbursement grants are recognized in an amount equal to costs and expenses during the year in which they are incurred.

BUILD FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 2 - REVENUE RECOGNITION, Continued

Disaggregation of Revenue – Revenue is disaggregated by category on the statements of activities and change in net assets.

Performance Obligations – Contributions with donor restrictions and contributions without donor restrictions are not considered exchange transactions and therefore are excluded from the requirements of ASU 2014-09. Grant revenue is recognized as the performance obligations under the grants are met, generally as allowable expenses are incurred and applied.

NOTE 3 - NOTES RECEIVABLE

Notes receivable represent balances owed to Build Fund from local businesses. At December 31, 2019, ten notes receivable were outstanding with balances ranging from approximately \$49,000 to \$750,000 with interest rates between 4% and 6.5% and maturities between December 2021 and December 2030. At December 31, 2018, ten notes receivable were outstanding with balances ranging from approximately \$35,000 to \$524,000 with interest rates between 4% and 6.5% and maturities between August 2020 and December 2030.

Management periodically reviews all notes receivable balances periodically and, based on an assessment of current creditworthiness estimates the portion, if any, of the balance that will not be collected. Build Fund has recorded an allowance for doubtful accounts of approximately \$123,000 pertaining to a defaulted equipment loan due from a borrower in bankruptcy. All other notes receivable are considered by management to be fully collectible.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Software and technology equipment	\$ 36,250	\$ 38,725
Less: accumulated depreciation	<u>(23,125)</u>	<u>(15,901)</u>
	<u>\$ 13,125</u>	<u>\$ 22,824</u>

NOTE 5 - REFUNDABLE ADVANCES

Build Fund was awarded grants to provide loans to businesses in Indianapolis designed to foster economic development. The grants are considered exchange transactions. Accordingly, revenue is recognized as grant requirements are fulfilled. Build Fund had refundable advances of \$191,625 and \$241,003 as of December 31, 2019 and 2018, respectively, representing grant receipts in excess of loans made and related costs.

BUILD FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 6 - LINE OF CREDIT

Build Fund has a \$1,200,000 revolving line of credit with a commercial bank maturing April 2022. Drawings against the line of credit bear interest at the 30-day LIBOR rate plus 3% (a total of 4.7% at December 31, 2019) and are secured by the underlying notes receivable Build Fund issues to other organizations with the funds obtained from this line of credit. The balance outstanding under the line of credit was \$150,711 and \$325,884 as of December 31, 2019 and 2018, respectively.

NOTE 7 - GRANT FUNDING

Grant funding was received from the following sources for the years ended December 31:

	<u>2019</u>	<u>2018</u>
FEDERAL PASS-THROUGH AWARDS		
City of Indianapolis	\$ 785,108	\$ 646,823
FEDERAL DIRECT AWARDS		
Department of Health and Human Services	37,188	586,439
Department of Treasury	<u>274,378</u>	<u>109,372</u>
	1,096,674	1,342,634
STATE AND LOCAL GRANTS		
Merchants Bank	<u>-</u>	<u>10,000</u>
	\$ <u>1,096,674</u>	\$ <u>1,352,634</u>

NOTE 8 - NET ASSETS

Net assets with donor restrictions were available to provide financial assistance for affordable housing projects in the Indianapolis area. Net assets with donor restrictions totaled \$15,852 and \$31,899 as of December 31, 2019 and 2018, respectively. Net assets released from donor restrictions during the years ended December 31, 2019 and 2018 pertained to the same purpose restriction.

Net assets without donor restrictions include the following Board-designated balances as of December 31:

	<u>2019</u>	<u>2018</u>
Unanticipated budget shortfalls	\$ 150,000	\$ 61,822
Unanticipated loan losses	<u>157,610</u>	<u>131,530</u>
	\$ <u>307,610</u>	\$ <u>193,352</u>

BUILD FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 9 - RISKS AND UNCERTAINTIES

Build Fund is engaged in the business of lending to corporate entities and is subject to the risk of loss due to defaulted loans.

Build Fund is also reliant on funding and resources from government-sponsored programs. Changes in such programs and/or levels of funding could significantly affect Build Fund's operations. In addition, Build Fund is subject to monitoring by local, state, and federal agencies. Those examinations could result in additional liability to be imposed.

NOTE 10 - LIQUIDITY

Build Fund's financial assets include cash, grants receivable, and notes receivable. Related party receivables are not considered to be financial assets. Following is a schedule of financial assets available for general use within one year as of December 31:

	<u>2019</u>	<u>2018</u>
Financial assets at December 31:	\$ 4,511,424	\$ 3,946,045
Less: donor restrictions for specific purposes	(15,852)	(31,899)
Less: notes receivable unlikely to be available for general expenditures within one year	(3,029,275)	(2,517,437)
Less: restrictions due to Board-designation	<u>(307,610)</u>	<u>(193,352)</u>
<i>Financial assets available for general use within one year</i>	<u>\$ 1,158,687</u>	<u>\$ 1,203,357</u>

Build Fund operates in conjunction with two related entities, King Park Development Corporation and Edge Fund, LLC. Liquidity is transferrable between entities at the discretion of management and approval of the Board of Directors. As of December 31, 2019, the three entities have a combined approximately \$2,772,000 in financial assets available for general use within one year, which represents approximately 830 days cash on hand considering combined total expenses incurred during the year ended December 31, 2019. In addition, Build Fund has a \$1,200,000 line of credit, of which approximately \$1,049,000 of borrowing capacity existed as of December 31, 2019.

Donor restrictions are tracked in separate funds, with adequate cash available to cover restrictions. The Board-designated net assets are available at the Board of Directors' discretion to undesignate for general use.

BUILD FUND, LLC
NOTES TO THE FINANCIAL STATEMENTS
For the Years ended December 31, 2019 and 2018

NOTE 11 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the community services have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

Substantially all expenses of Build Fund are program services related. Professional fees and insurance expense are allocated to specific functional expense categories according to the benefit provided. Substantially all management and general expenses are covered by King Park Development Corporation.