

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC**

CONSOLIDATED FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended December 31, 2017 and 2016



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
King Park Development Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of King Park Development Corporation and The Build Fund, LLC, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of King Park Development Corporation and The Build Fund, LLC as of December 31, 2017 and 2016 and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Additionally, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the consolidated financial statements. Likewise, the consolidating schedules of financial position and activities and change in net assets on pages 16 through 19 are presented for purposes of additional analysis and are 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 Schedule of Expenditures of Federal Awards 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 June 13, 2018 on our consideration of King Park Development Corporation's and The Build Fund, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 King Park Development Corporation's and The Build Fund, LLC's internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
June 13, 2018

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 1,351,648	\$ 1,450,423
Cash - restricted	30,049	-
Receivables:		
Grants	102,710	356,633
Other	247,701	60,364
Prepaid expenses	3,748	11,796
Notes receivable	2,132,536	1,612,968
Investments in real estate	978,514	1,160,694
Rental real estate, net	645,409	721,890
Property and equipment, net	74,835	49,562
Other asset	22,000	-
	<u>\$ 5,589,150</u>	<u>\$ 5,424,330</u>
TOTAL ASSETS	<u>\$ 5,589,150</u>	<u>\$ 5,424,330</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 253,458	\$ 300,507
Accrued payroll and benefits	38,770	8,333
Line of credit	396,330	247,500
Notes payable	721,791	1,700,002
Grant obligations payable	50,000	50,000
Security deposits	12,200	7,560
Refundable advances	50,375	600,117
Retainage payable	-	40,044
Deferred revenue	-	1,775
	<u>1,522,924</u>	<u>2,955,838</u>
<i>Total liabilities</i>	<u>1,522,924</u>	<u>2,955,838</u>
NET ASSETS		
Unrestricted	4,010,031	2,371,883
Temporarily restricted	56,195	96,609
	<u>4,066,226</u>	<u>2,468,492</u>
<i>Total net assets</i>	<u>4,066,226</u>	<u>2,468,492</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,589,150</u>	<u>\$ 5,424,330</u>

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

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC**
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND SUPPORT						
Federal awards	\$ 2,095,370	\$ -	\$ 2,095,370	\$ 1,386,928	\$ 125,000	\$ 1,511,928
State and local grants	66,395	60,000	126,395	616,605	-	616,605
Rental income	92,413	-	92,413	131,692	-	131,692
Service fees	19,045	-	19,045	40,382	-	40,382
Fundraising	18,329	-	18,329	-	-	-
Contributions	28,022	-	28,022	930	-	930
Interest income	117,427	-	117,427	38,136	-	38,136
Other income	3,568	-	3,568	2,658	-	2,658
Forgiveness of debt	383,241	-	383,241	-	-	-
Sale of real estate:						
Proceeds from sale	1,819,442	-	1,819,442	1,141,490	-	1,141,490
Basis of property	(1,661,377)	-	(1,661,377)	(717,618)	-	(717,618)
<i>Gain on sale of real estate</i>	158,065	-	158,065	423,872	-	423,872
Net assets released from restrictions	100,414	(100,414)	-	28,391	(28,391)	-
<i>Total revenues, gains, and support</i>	<u>3,082,289</u>	<u>(40,414)</u>	<u>3,041,875</u>	<u>2,669,594</u>	<u>96,609</u>	<u>2,766,203</u>
EXPENSES						
Program services:						
Property development and rehabilitation	305,750	-	305,750	740,263	-	740,263
Bad debt expense	175,713	-	175,713	-	-	-
Program support	726,318	-	726,318	577,883	-	577,883
Management and general	236,360	-	236,360	197,901	-	197,901
<i>Total expenses</i>	<u>1,444,141</u>	<u>-</u>	<u>1,444,141</u>	<u>1,516,047</u>	<u>-</u>	<u>1,516,047</u>
TOTAL CHANGE IN NET ASSETS	1,638,148	(40,414)	1,597,734	1,153,547	96,609	1,250,156
NET ASSETS						
Beginning of year	2,371,883	96,609	2,468,492	1,218,336	-	1,218,336
End of year	<u>\$ 4,010,031</u>	<u>\$ 56,195</u>	<u>\$ 4,066,226</u>	<u>\$ 2,371,883</u>	<u>\$ 96,609</u>	<u>\$ 2,468,492</u>

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

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,597,734	\$ 1,250,156
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of real estate	(158,065)	(423,872)
Financed IFF note payable acquisition costs and other closing expenses	48,000	-
Depreciation	39,199	33,724
Forgiveness of debt	(383,241)	-
Changes in certain assets and liabilities:		
Grants receivable	253,923	(172,853)
Other receivables	(187,337)	(60,364)
Prepaid expenses	8,048	(6,752)
Accounts payable	(47,049)	103,728
Accrued payroll and benefits	30,437	922
Security deposits	4,640	(2,750)
Refundable advances	(549,742)	416,117
Retainage payable	(40,044)	40,044
Deferred revenue	(1,775)	(12,500)
<i>Net cash provided by operating activities</i>	614,728	1,165,600
INVESTING ACTIVITIES		
Investments in residential and commercial land, buildings, and improvements, net of grant funding	(1,429,781)	(768,931)
Issuance of notes receivable, net of repayments	(519,568)	(1,024,051)
Purchase of property and equipment	(37,456)	(85,788)
Proceeds from sale of real estate	1,819,442	1,141,490
<i>Net cash used in investing activities</i>	(167,363)	(737,280)
FINANCING ACTIVITIES		
Borrowings on line of credit	148,830	247,500
Borrowings on notes payable	-	500,000
Accrued interest capitalized into balance of notes payable	6,987	17,242
Principal repayments of notes payable	(701,957)	(221,807)
<i>Net cash provided by (used in) financing activities</i>	(546,140)	542,935
NET INCREASE (DECREASE) IN CASH	(98,775)	971,255
CASH, BEGINNING OF YEAR	1,450,423	479,168
CASH, END OF YEAR	\$ 1,351,648	\$ 1,450,423
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 51,567	\$ 36,541
Amounts financed through IFF note payable		
Principal repayment to BMO Harris Bank	500,000	-
Capitalized note payable acquisition costs	22,000	-
Establishment of cash reserve fund	30,000	-
Other closing expenses	48,000	-

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

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – King Park Development Corporation (“KPDC”) is a not-for-profit community development corporation serving the near north side of Indianapolis, Indiana and is devoted to improving the quality of life in that community. These services are made possible through the direct support of government agencies, foundations, and corporate and individual donors.

The Build Fund, LLC (“TBF”) is a separate not-for-profit entity established for the purpose of making loans to businesses in Indianapolis that are designed to foster economic development. TBF is a variable interest entity of KPDC. In accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), TBF is included in the accompanying consolidated financial statements.

Consolidation Policy – In the accompanying consolidated financial statements, the companies listed above are collectively referred to as the “Organization” and all significant inter-entity transactions and balances have been eliminated in consolidation.

Financial Statement Presentation – the Organization reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the Organization in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets that are restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Accounting Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 – Cash and cash equivalents include bank deposits, money market shares, and all highly liquid debt instruments with original maturities of three months or less. The Organization had no cash equivalents at December 31, 2017 and 2016.

Grants Receivable – Grants receivable relate primarily to grant funding due from governmental agencies. The Organization 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.

Notes Receivable – Notes receivable represent loans provided by KPDC and TBF to businesses in fulfillment of TBF’s purpose. The Organization believes all notes receivable are fully collectible, as such, no allowance for doubtful accounts has been made in connection with the notes.

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition – Contributions received and unconditional promises to give, including real estate donated for development, are measured at their fair values and are reported as an increase in net assets during the year in which they are awarded. The Organization 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities 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. Revenues from sales of real estate are recognized at the date of sale, under the provision that all conditions of the sale are complete.

Impairment of Long-Lived Assets – The Organization reviews long-lived assets, including its investments in real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value.

Taxes on Income – Both KPDC and TBF have received determinations from the Internal Revenue Service stating that each qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, either would be subject to tax on income unrelated to its exempt purpose. For the years ended December 31, 2017 and 2016, no accounting for federal or state income taxes was required to be included in the accompanying consolidated financial statements.

Professional accounting standards require the Organization 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. The Organization has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ended after December 31, 2013 are open to audit for both federal and state purposes.

Depreciable Assets – 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. Estimated useful lives are as follows:

Rental properties	30 years
Leasehold improvements	8 years
Furniture and equipment	5 to 10 years
Software	3 years

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events – The Organization evaluated subsequent events through June 13, 2018, the date these consolidated financial statements were available to be issued. Any events occurring through this date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

NOTE 2 - INVESTMENTS IN REAL ESTATE

KPDC purchases and also receives donations of vacant lots and distressed properties, primarily from the City of Indianapolis. For donated properties, KPDC is typically responsible only for closing costs and title fees. The properties are designated to be developed or renovated for sale to individuals qualified as low-to-moderate income. Such investments in real estate consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Residential land, buildings and improvements, held for resale	\$ 879,078	\$ 808,808
Commercial land, building and improvements, held for resale	<u>99,436</u>	<u>351,886</u>
	<u>\$ 978,514</u>	<u>\$ 1,160,694</u>

NOTE 3 - RENTAL PROPERTIES

KPDC converts certain real estate investments into rental properties when it is unable to sell those properties. At December 31, 2017 and 2016, rental properties consisted of 14 and 25 housing units, respectively, and were comprised of:

	<u>2017</u>	<u>2016</u>
Land	\$ 75,000	\$ 75,000
Buildings and improvements	798,422	849,687
Less: accumulated depreciation	<u>(228,013)</u>	<u>(202,797)</u>
	<u>\$ 645,409</u>	<u>\$ 721,890</u>

NOTE 4 - NOTES RECEIVABLE

Notes receivable represent balances owed to KPDC and TBF from local businesses. At December 31, 2017, the notes ranged from approximately \$52,000 to approximately \$415,000 with interest between 4% and 6.5% and maturities between April 2020 and December 2030. At December 31, 2016, the notes ranged from approximately \$68,000 to approximately \$406,000 with interest between 4% and 6% and maturities between November 2018 and August 2028.

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 5 - REFUNDABLE ADVANCES

TBF 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. At December 31, 2017 and 2016, the Organization had refundable advances of \$50,375 and \$600,117, respectively, representing grant receipts in excess of loans made.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 158,017	\$ 141,560
Furniture and equipment	67,093	46,093
Less: accumulated depreciation	<u>(150,275)</u>	<u>(138,091)</u>
	<u>\$ 74,835</u>	<u>\$ 49,562</u>

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Note payable to IFF; secured by a mortgage on property. The note accrues interest at 5.95% per annum, and requires monthly payment of principal and interest in the amount of \$3,578. The note matures in October 2032, and any unpaid principal and interest on the maturity date is due in full.	\$ 598,791	\$ -
Note payable to Citizens Energy Group; secured by a mortgage on property. The note accrued interest at 4% per annum. The note was repaid in 2017.	-	183,209
Note payable to Local Initiatives Support Corporation; secured by real estate in the North Broadway Street property. The note bears no interest, and only requires monthly payments of \$683 as available cash flow permits. The note matures in September 2032. A portion of this note was forgiven in 2017.	123,000	276,341

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 7 - NOTES PAYABLE, Continued

Total from previous page	\$	721,791	\$	459,550
Note payable to BMO Harris Bank; secured by real estate in the North Broadway Street Project. Interest was payable monthly at a rate of 4.0%. The note was settled in 2017, with a portion forgiven by the lender, and a portion repaid with proceeds from the IFF note.		-		737,555
Note payable to Indiana Housing and Community Development Authority for the purpose of providing a loan to a specific local business; secured by the Organization's loan agreement with the business. Interest was payable annually at a rate of 3.5%. The note was repaid in 2017.		<u>-</u>		<u>502,897</u>
	\$	<u>721,791</u>	\$	<u>1,700,002</u>

In 2017, KPDC renegotiated and refinanced the notes payable related to the Gramse Apartments property. This included the acquisition of a note payable to IFF, the proceeds of which were used in part to pay down \$500,000 of the principal balance of the note payable to BMO Harris Bank. BMO Harris Bank agreed to forgive the remaining principal balance on the note if certain conditions are met. Management of KPDC deemed the conditions of the forgiveness of the note substantially met, and therefore has recorded forgiveness of debt on this note of approximately \$230,000. Also in 2017, Local Initiatives Support Corporation agreed to reduce the principal balance on its note payable by approximately \$153,200. Collectively, these two transactions represent the amount shown as forgiveness of debt on the fiscal year 2017 statement of activities and change in net assets.

NOTE 8 - LINE OF CREDIT

TBF 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 4.56% as of December 31, 2017) and are secured by the underlying notes that TBF issues to other organizations with the funds obtained from this line of credit. The balance outstanding under the line of credit was \$396,330 and \$247,500 as of December 31, 2017 and 2016, respectively.

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 9 - GRANT FUNDING

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

	<u>2017</u>	<u>2016</u>
FEDERAL PASS-THROUGH AWARDS		
City of Indianapolis	\$ <u>1,441,846</u>	\$ <u>1,154,618</u>
FEDERAL DIRECT AWARDS		
Department of Health and Human Services	653,524	232,310
Department of Treasury	<u>-</u>	<u>125,000</u>
	<u>653,524</u>	<u>357,310</u>
STATE AND LOCAL GRANTS		
Indianapolis Neighborhood Housing Partnership	60,000	50,000
Indianapolis Foundation	60,000	-
City of Indianapolis	-	450,000
Local Initiatives Support Corporation	6,395	21,605
Central Indiana Community Foundation	-	30,000
Housing Trust Fund	<u>-</u>	<u>65,000</u>
	<u>126,395</u>	<u>616,605</u>
<i>Total grant funding</i>	\$ <u>2,221,765</u>	\$ <u>2,128,533</u>

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purpose as of December 31:

	<u>2017</u>	<u>2016</u>
Technical assistance	\$ 52,033	\$ 96,609
Wages and other administrative expenses	<u>4,162</u>	<u>-</u>
	\$ <u>56,195</u>	\$ <u>96,609</u>

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 11 - RISKS AND UNCERTAINTIES

The Organization is engaged in the business of residential real estate development, sale, and rental centered on the near north side of Indianapolis, Indiana. The Organization is subject to risks associated with this industry and geographic area, including socio-economic factors, interest rates, and availability and cost of materials.

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

NOTE 12 - LEASES

The Organization leases office space in one building in Indianapolis under two leases totaling \$3,380 per month through December 2020, and annual cost of living increases thereafter expiring December 2026.

The Organization also leases a copier for \$280 per month through January 2020.

Future minimum lease payments under these leases are as follows for the years ending December 31:

2018	\$ 43,922
2019	43,922
2020	40,842
2021	41,901
2022	42,902
Thereafter	157,471

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

NOTE 13 - FUNCTIONAL EXPENSE REPORTING

The costs of providing community services have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses categorized between program support and management and general for the years ended December 31:

	<u>2017</u>		<u>2016</u>	
	<u>Program Support</u>	<u>Management and General</u>	<u>Program Support</u>	<u>Management and General</u>
Payroll and related taxes	\$ 281,061	\$ 70,265	\$ 216,913	\$ 54,228
Insurance	62,976	15,744	68,141	17,035
Retirement plan	10,098	2,525	6,052	1,513
Professional fees	105,432	92,466	68,409	77,921
Advertising	-	1,324	-	500
Depreciation	31,359	7,840	26,979	6,745
Repairs and maintenance	51,289	12,822	51,512	12,878
Equipment rental	11,127	2,782	3,469	867
Telephone	2,002	500	2,959	740
Office expense	44,270	11,068	33,030	8,257
Property tax expense	-	1,986	-	5,557
Licenses and fees	7,478	1,869	200	50
Postage	552	138	633	158
Dues and subscriptions	599	150	639	160
Consulting fees	18,801	4,700	19,472	4,868
Development and training	1,719	430	1,170	293
Interest	58,554	-	53,783	-
Other	39,001	9,751	24,522	6,131
	<u>\$ 726,318</u>	<u>\$ 236,360</u>	<u>\$ 577,883</u>	<u>\$ 197,901</u>

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017**

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-Through City of Indianapolis			
Community Development Block Grants/Entitlement Grants			
Home Ownership Development	14.218	POI1300002509	\$ 177,000
Home Ownership Development	14.218	POI1300003061	294,851
Economic Development	14.218	POI1300002508	150,117
Economic Development	14.218	POI1300003214	778,594
<i>Total</i>			<u>1,400,562</u>
Home Investment Partnerships Program	14.239	POI1300002696	<u>24,778</u>
<i>Total for federal grantor agency</i>			<u>1,425,340</u>
U.S. DEPARTMENT OF TREASURY			
Community Development Financial Institutions Program	21.020	161TA020762	<u>44,576</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Community Development Block Grants/Discretionary Awards			
Community Economic Development and Rural Community Facilities Program	93.570	90EE1109-01-02	493,657
	93.570	90EE1175-01-01	176,373
<i>Total for federal grantor agency</i>			<u>670,030</u>
<i>Total federal awards expended</i>			<u><u>\$ 2,139,946</u></u>

See independent auditors' report and accompanying notes to this schedule

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of King Park Development Corporation and The Build Fund, LLC (collectively, the “Organization”) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented, where available.

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2017**

	<u>King Park</u>	<u>Build Fund</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash	\$ 417,809	\$ 933,839	\$ -	\$ 1,351,648
Cash - restricted	30,049	-	-	30,049
Receivables:				
Grants	-	102,710	-	102,710
Other	345,861	-	(98,160) *	247,701
Prepaid expenses	3,748	-	-	3,748
Note payable acquisitions costs, net				
Notes receivable	79,121	2,053,415	-	2,132,536
Investments in real estate	978,514	-	-	978,514
Rental real estate, net	645,409	-	-	645,409
Property and equipment, net	55,891	18,944	-	74,835
Other asset	22,000	-	-	22,000
TOTAL ASSETS	<u>\$ 2,578,402</u>	<u>\$ 3,108,908</u>	<u>\$ (98,160)</u>	<u>\$ 5,589,150</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 238,758	\$ 112,860	\$ (98,160) *	\$ 253,458
Accrued payroll and benefits	38,770	-	-	38,770
Line of credit	-	396,330	-	396,330
Notes payable	721,791	-	-	721,791
Grant obligations payable	50,000	-	-	50,000
Security deposits	12,200	-	-	12,200
Refundable advances	-	50,375	-	50,375
<i>Total liabilities</i>	<u>1,061,519</u>	<u>559,565</u>	<u>(98,160)</u>	<u>1,522,924</u>
NET ASSETS				
Unrestricted	1,516,883	2,493,148	-	4,010,031
Temporarily restricted	-	56,195	-	56,195
<i>Total net assets</i>	<u>1,516,883</u>	<u>2,549,343</u>	<u>-</u>	<u>4,066,226</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,578,402</u>	<u>\$ 3,108,908</u>	<u>\$ (98,160)</u>	<u>\$ 5,589,150</u>

* Eliminations represent the amounts owed between the consolidated entities.

See independent auditors' report

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2016**

	<u>King Park</u>	<u>Build Fund</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash	\$ 354,122	\$ 1,096,301	\$ -	\$ 1,450,423
Receivables:				
Grants	291,997	125,000	(60,364) *	356,633
Other	60,364	-	-	60,364
Prepaid expenses	8,879	2,917	-	11,796
Notes receivable	82,529	1,530,439	-	1,612,968
Investments in real estate	1,160,694	-	-	1,160,694
Rental real estate, net	721,890	-	-	721,890
Property and equipment, net	25,123	24,439	-	49,562
TOTAL ASSETS	<u><u>\$ 2,705,598</u></u>	<u><u>\$ 2,779,096</u></u>	<u><u>\$ (60,364)</u></u>	<u><u>\$ 5,424,330</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 294,507	\$ 66,364	\$ (60,364) *	\$ 300,507
Accrued payroll and benefits	8,333	-	-	8,333
Line of credit	-	247,500	-	247,500
Notes payable	1,197,105	502,897	-	1,700,002
Grant obligations payable	50,000	-	-	50,000
Security deposits	7,560	-	-	7,560
Refundable advances	-	600,117	-	600,117
Retainage payable	-	40,044	-	40,044
Deferred revenue	1,775	-	-	1,775
<i>Total liabilities</i>	<u>1,559,280</u>	<u>1,456,922</u>	<u>(60,364)</u>	<u>2,955,838</u>
NET ASSETS				
Unrestricted	1,146,318	1,225,565	-	2,371,883
Temporarily restricted	-	96,609	-	96,609
<i>Total net assets</i>	<u>1,146,318</u>	<u>1,322,174</u>	<u>-</u>	<u>2,468,492</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,705,598</u></u>	<u><u>\$ 2,779,096</u></u>	<u><u>\$ (60,364)</u></u>	<u><u>\$ 5,424,330</u></u>

* Eliminations represent the amounts owed between the consolidated entities.

See independent auditors' report

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC**
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2017

	King Park	Build Fund		Total	Eliminations	Total
	Unrestricted	Unrestricted	Temporarily Restricted			
REVENUES, GAINS, AND SUPPORT						
Federal awards	\$ 513,135	\$ 1,582,235	\$ -	\$ 1,582,235	\$ -	\$ 2,095,370
State and local grants	66,395	-	60,000	60,000	-	126,395
Rental income	92,413	-	-	-	-	92,413
Service fees	4,202	14,843	-	14,843	-	19,045
Fundraising	18,329	-	-	-	-	18,329
Contributions	23,022	5,000	-	5,000	-	28,022
Interest income	-	117,427	-	117,427	-	117,427
Other income	3,568	-	-	-	-	3,568
Forgiveness of debt	383,241	-	-	-	-	383,241
Sale of real estate:						
Proceeds from sale	1,819,442	-	-	-	-	1,819,442
Basis of property	(1,661,377)	-	-	-	-	(1,661,377)
<i>Gain on sale of real estate</i>	158,065	-	-	-	-	158,065
Net assets released from restrictions	-	100,414	(100,414)	-	-	-
<i>Total revenues, gains, and support</i>	1,262,370	1,819,919	(40,414)	1,779,505	-	3,041,875
EXPENSES						
Program services:						
Property development and rehabilitation	305,750	-	-	-	-	305,750
Bad debt expense	-	175,713	-	175,713	-	175,713
Program support	443,357	282,961	-	282,961	-	726,318
Management and general	142,698	93,662	-	93,662	-	236,360
<i>Total expenses</i>	891,805	552,336	-	552,336	-	1,444,141
TOTAL CHANGE IN NET ASSETS	370,565	1,267,583	(40,414)	1,227,169	-	1,597,734
NET ASSETS						
Beginning of year	1,146,318	1,225,565	96,609	1,322,174	-	2,468,492
End of year	<u>\$ 1,516,883</u>	<u>\$ 2,493,148</u>	<u>\$ 56,195</u>	<u>\$ 2,549,343</u>	<u>\$ -</u>	<u>\$ 4,066,226</u>

See independent auditors' report

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC**
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2016

	King Park	Build Fund		Eliminations	Total	
	Unrestricted	Unrestricted	Temporarily Restricted			Total
REVENUES, GAINS, AND SUPPORT						
Federal awards	\$ 520,735	\$ 866,193	\$ 125,000	\$ 991,193	\$ -	\$ 1,511,928
State and local grants	616,605	-	-	-	-	616,605
Rental income	131,692	-	-	-	-	131,692
Service fees	21,601	18,781	-	18,781	-	40,382
Contributions	930	-	-	-	-	930
Interest income	-	38,136	-	38,136	-	38,136
Other income	2,658	-	-	-	-	2,658
Sale of real estate:						
Proceeds from sale	1,141,490	-	-	-	-	1,141,490
Basis of property	(717,618)	-	-	-	-	(717,618)
<i>Gain on sale of real estate</i>	423,872	-	-	-	-	423,872
Net assets released from restrictions	-	28,391	(28,391)	-	-	-
<i>Total revenues, gains, and support</i>	<u>1,718,093</u>	<u>951,501</u>	<u>96,609</u>	<u>1,048,110</u>	<u>-</u>	<u>2,766,203</u>
EXPENSES						
Program services:						
Property development and rehabilitation	740,263	-	-	-	-	740,263
Program support	433,657	144,226	-	144,226	-	577,883
Management and general	147,320	50,581	-	50,581	-	197,901
<i>Total expenses</i>	<u>1,321,240</u>	<u>194,807</u>	<u>-</u>	<u>194,807</u>	<u>-</u>	<u>1,516,047</u>
TOTAL CHANGE IN NET ASSETS	396,853	756,694	96,609	853,303	-	1,250,156
NET ASSETS						
Beginning of year	749,465	468,871	-	468,871	-	1,218,336
End of year	<u>\$ 1,146,318</u>	<u>\$ 1,225,565</u>	<u>\$ 96,609</u>	<u>\$ 1,322,174</u>	<u>\$ -</u>	<u>\$ 2,468,492</u>

See independent auditors' report



Donovan CPAs

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

The Board of Directors
King Park Development Corporation

We have audited, in accordance with the 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, the consolidated financial statements of King Park Development Corporation and The Build Fund, LLC (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 amounts. 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.

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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

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Indianapolis, Indiana

June 13, 2018



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

The Board of Directors
King Park Development Corporation

Report on Compliance for Each Major Federal Program

We have audited King Park Development Corporation's and The Build Fund, LLC's (collectively, the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 December 31, 2017.

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Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN

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

Indianapolis, Indiana
June 13, 2018

**KING PARK DEVELOPMENT CORPORATION
AND THE BUILD FUND, LLC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year ended December 31, 2017**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number

Name of Federal Program or Cluster

14.218

Community Development Block Grants/
Entitlement Grants

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.