

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC**

CONSOLIDATED FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended December 31, 2018 and 2017



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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, Build Fund, LLC, and Edge Fund, LLC, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and change in net assets, functional expenses, 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, Build Fund, LLC, and Edge Fund, LLC as of December 31, 2018 and 2017 and the consolidated 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Additionally, the accompanying consolidated 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 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 18 through 21 are presented for purposes of additional analysis and are 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2019 on our consideration of King Park Development Corporation's, Build Fund, LLC's, and Edge 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, Build Fund, LLC's, and Edge Fund, LLC's internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
June 12, 2019

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,573,559	\$ 1,351,648
Cash - restricted	30,401	30,049
Receivables:		
Grants	166,742	102,710
Other	439,054	247,701
Prepaid expenses	11,859	3,748
Notes receivable - corporate, net of allowance	2,593,081	2,132,536
Notes receivable - personal	401,103	-
Investments in real estate	796,605	978,514
Rental real estate, net	618,796	645,409
Property and equipment, net	<u>76,594</u>	<u>74,835</u>
TOTAL ASSETS	<u><u>\$ 6,707,794</u></u>	<u><u>\$ 5,567,150</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 325,884	\$ 396,330
Accounts payable	122,594	253,458
Accrued payroll and benefits	19,411	38,770
Notes payable	714,280	721,791
Less: unamortized debt issuance costs	(20,533)	(22,000)
Grant obligations payable	50,000	50,000
Security deposits	7,233	12,200
Refundable advances	<u>241,003</u>	<u>50,375</u>
<i>Total liabilities</i>	<u>1,459,872</u>	<u>1,500,924</u>
NET ASSETS		
Without donor restrictions	5,216,023	4,010,031
With donor restrictions	<u>31,899</u>	<u>56,195</u>
<i>Total net assets</i>	<u>5,247,922</u>	<u>4,066,226</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,707,794</u></u>	<u><u>\$ 5,567,150</u></u>

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

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC**
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	<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>
REVENUE, SUPPORT, AND GAINS						
Federal awards	\$ 1,941,169	\$ 52,500	\$ 1,993,669	\$ 2,095,370	\$ -	\$ 2,095,370
State and local grants	80,000	10,000	90,000	66,395	60,000	126,395
Rental income	100,116	-	100,116	92,413	-	92,413
Service fees	5,100	-	5,100	4,202	-	4,202
Origination fees	13,455	-	13,455	14,843	-	14,843
Fundraising	-	-	-	18,329	-	18,329
Contributions	123,258	-	123,258	28,022	-	28,022
Interest income from notes receivable	100,559	-	100,559	115,497	-	115,497
Other income	18,176	-	18,176	5,498	-	5,498
Forgiveness of debt	-	-	-	383,241	-	383,241
Sale of real estate:						
Proceeds from sale	1,491,900	-	1,491,900	1,819,442	-	1,819,442
Basis of property	<u>(1,434,567)</u>	<u>-</u>	<u>(1,434,567)</u>	<u>(1,661,377)</u>	<u>-</u>	<u>(1,661,377)</u>
<i>Gain on sale of real estate</i>	57,333	-	57,333	158,065	-	158,065
Net assets released from restrictions	<u>86,796</u>	<u>(86,796)</u>	<u>-</u>	<u>100,414</u>	<u>(100,414)</u>	<u>-</u>
<i>Total revenue, support, and gains</i>	<u>2,525,962</u>	<u>(24,296)</u>	<u>2,501,666</u>	<u>3,082,289</u>	<u>(40,414)</u>	<u>3,041,875</u>
FUNCTIONAL EXPENSES						
Program services	1,176,290	-	1,176,290	1,207,781	-	1,207,781
Management and general	<u>143,680</u>	<u>-</u>	<u>143,680</u>	<u>236,360</u>	<u>-</u>	<u>236,360</u>
<i>Total functional expenses</i>	<u>1,319,970</u>	<u>-</u>	<u>1,319,970</u>	<u>1,444,141</u>	<u>-</u>	<u>1,444,141</u>
CHANGE IN NET ASSETS	1,205,992	(24,296)	1,181,696	1,638,148	(40,414)	1,597,734
NET ASSETS						
Beginning 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>
End of year	<u>\$ 5,216,023</u>	<u>\$ 31,899</u>	<u>\$ 5,247,922</u>	<u>\$ 4,010,031</u>	<u>\$ 56,195</u>	<u>\$ 4,066,226</u>

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

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2018 and 2017**

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Payroll and related taxes	\$ 399,227	\$ 43,402	\$ 442,629	\$ 281,061	\$ 70,265	\$ 351,326
Professional fees	145,649	65,021	210,670	105,432	92,466	197,898
Property development and rehabilitation	130,948	-	130,948	305,750	-	305,750
Bad debt expense	118,897	-	118,897	175,713	-	175,713
Insurance	82,675	23,426	106,101	62,976	15,744	78,720
Office expenses	55,053	4,698	59,751	44,270	11,068	55,338
Interest expense	54,062	-	54,062	58,554	-	58,554
Depreciation	49,293	1,811	51,104	31,359	7,840	39,199
Advertising	-	22	22	-	1,324	1,324
Repairs and maintenance	30,540	510	31,050	51,289	12,822	64,111
Consulting fees	20,376	-	20,376	18,801	4,700	23,501
Retirement plan expenses	17,588	1,131	18,719	10,098	2,525	12,623
Equipment rental	10,026	985	11,011	11,127	2,782	13,909
Development and training	6,123	311	6,434	1,719	430	2,149
Telephone	3,436	214	3,650	2,002	500	2,502
Dues and subscriptions	2,484	-	2,484	599	150	749
Property taxes	-	2,022	2,022	-	1,986	1,986
Postage	470	37	507	552	138	690
Licenses and fees	203	-	203	7,478	1,869	9,347
Other	49,240	90	49,330	39,001	9,751	48,752
<i>Total functional expenses</i>	<u>\$ 1,176,290</u>	<u>\$ 143,680</u>	<u>\$ 1,319,970</u>	<u>\$ 1,207,781</u>	<u>\$ 236,360</u>	<u>\$ 1,444,141</u>

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

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,181,696	\$ 1,597,734
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of real estate	(57,333)	(158,065)
Financed IFF note payable acquisition costs and other closing expenses	-	48,000
Depreciation	51,104	39,199
Amortization of debt issuance costs included in interest expense	1,467	-
Forgiveness of debt	-	(383,241)
Changes in certain assets and liabilities:		
Restricted cash	(352)	-
Grants receivable	(64,032)	253,923
Other receivables	(191,353)	(187,337)
Prepaid expenses	(8,111)	8,048
Accounts payable	(130,864)	(47,049)
Accrued payroll and benefits	(19,359)	30,437
Security deposits	(4,967)	4,640
Refundable advances	190,628	(549,742)
Retainage payable	-	(40,044)
Deferred revenue	-	(1,775)
<i>Net cash provided by operating activities</i>	<u>948,524</u>	<u>614,728</u>
INVESTING ACTIVITIES		
Investments in residential and commercial land, buildings, and improvements, net of grant funding	(1,252,658)	(1,429,781)
Issuance of notes receivable - corporate, net of repayments	(460,545)	(519,568)
Issuance of notes receivable - personal, net of repayments	(401,103)	-
Purchases of property and equipment	(26,250)	(37,456)
Proceeds from sale of real estate	1,491,900	1,819,442
<i>Net cash used in investing activities</i>	<u>(648,656)</u>	<u>(167,363)</u>
FINANCING ACTIVITIES		
Borrowings on (repayments of) line of credit	(70,446)	148,830
Accrued interest capitalized into balance of notes payable	-	6,987
Principal repayments of notes payable	(7,511)	(701,957)
<i>Net cash used in financing activities</i>	<u>(77,957)</u>	<u>(546,140)</u>
NET INCREASE (DECREASE) IN CASH	221,911	(98,775)
CASH, BEGINNING OF YEAR	<u>1,351,648</u>	<u>1,450,423</u>
CASH, END OF YEAR	<u>\$ 1,573,559</u>	<u>\$ 1,351,648</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 52,595	\$ 51,567
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,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – King Park Development Corporation (“King Park”) is a not-for-profit community development corporation serving Indianapolis, Indiana and is devoted to improving the quality of life in that community. Build Fund, LLC (“Build Fund”) is a separate not-for-profit entity established for the purpose of lending to businesses in Indianapolis designed to foster economic development. Edge Fund, LLC (“Edge Fund”) is a separate not-for-profit entity established for the purpose of lending to affordable housing development projects in Indianapolis, Indiana.

The companies listed above are collectively referred to as the “Organization” and all significant intercompany transactions and balances have been eliminated in consolidation.

Financial Statement Presentation – Effective with the December 31, 2018 year end, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 must be applied on a retrospective basis, therefore the net assets as of and for the year ended December 31, 2017 have been restated to comply with ASU 2016-14.

Consolidated Financial Statements – Build Fund and Edge Fund are variable interest entities of King Park. In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the balances and results of operations of all three entities are included in the accompanying consolidated financial statements.

Basis of Accounting and Use of Estimates – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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. Revenues from sales of real estate are recognized at the date of sale, under the provision that all conditions of the sale are complete.

Cash and Cash Equivalents – For the purposes of the consolidated statements of cash flows, the Organization considers all short-term highly-liquid assets with a maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2018 and 2017.

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 King Park, Build Fund, and Edge Fund to businesses and individuals in fulfillment of each entity's purpose. The Organization 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. Estimated useful lives are as follows:

Rental properties	30 years
Office building	30 years
Leasehold improvements	8 years
Office equipment	5 to 10 years

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. No such impairment is believed to exist as of December 31, 2018.

Taxes on Income – King Park, Build Fund, and Edge Fund 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, each entity would be subject to tax on income unrelated to its exempt purpose. For the years ended December 31, 2018 and 2017, 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, 2014 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 consolidated financial statement presentation. These reclassifications have no effect on previously reported consolidated total net assets.

Subsequent Events – The Organization evaluated subsequent events through June 12, 2019, 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.

**KING PARK DEVELOPMENT CORPORATION,
 BUILD FUND, LLC, and EDGE FUND, LLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended December 31, 2018 and 2017**

NOTE 2 - INVESTMENTS IN REAL ESTATE

King Park purchases and also receives donations of vacant lots and distressed properties, primarily from the City of Indianapolis. For donated properties, King Park 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 as of December 31:

	<u>2018</u>	<u>2017</u>
Residential land and buildings, held for resale	\$ 746,821	\$ 879,078
Commercial land and buildings, held for resale	<u>49,784</u>	<u>99,436</u>
	<u>\$ 796,605</u>	<u>\$ 978,514</u>

NOTE 3 - RENTAL PROPERTIES

King Park converts certain real estate investments into rental properties when it is unable to sell those properties. Rental properties consisted of 14 housing units and were comprised of the following as of December 31:.

	<u>2018</u>	<u>2017</u>
Land	\$ 75,000	\$ 75,000
Buildings and improvements	798,422	798,422
Less: accumulated depreciation	<u>(254,626)</u>	<u>(228,013)</u>
	<u>\$ 618,796</u>	<u>\$ 645,409</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Office building	\$ -	\$ 129,060
Leasehold improvements	28,957	28,957
Office equipment	93,343	67,093
Less: accumulated depreciation	<u>(45,706)</u>	<u>(150,275)</u>
<i>Property and equipment, net</i>	<u>\$ 76,594</u>	<u>\$ 74,835</u>

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

NOTE 5 - NOTES RECEIVABLE

Prior to the establishment of Build Fund, King Park extended a loan to one corporate entity. Since that initial loan, all other corporate lending has been conducted through Build Fund. In 2018, the Organization established Edge Fund for the purpose of personal lending for multi-family, supportive housing. A summary of the notes receivable is presented below as of December 31:

2018	<u>Number of Notes Outstanding</u>	<u>Balances of Notes Outstanding</u>	<u>Interest Rate Range</u>	<u>Maturity Date Range</u>
<i>Notes receivable - corporate</i>				
King Park	1	\$76,000	2.0%	Nov. 2020
Build Fund	10	\$35,000 - \$524,000	4.0% - 6.5%	Aug. 2020 - Dec. 2030
<i>Notes receivable - personal</i>				
Edge Fund	2	\$200,000 - \$201,000	1.6% - 3.1%	Jan. 2049 - Feb. 2049
2017				
<i>Notes receivable - corporate</i>				
King Park	1	\$78,000	2.0%	Nov. 2020
Build Fund	10	\$52,000 - \$415,000	4.0% - 6.5%	Aug. 2020 - Dec. 2030

Build Fund recorded bad debt expense of approximately \$116,000 and \$176,000 pertaining, respectively, to a defaulted equipment corporate note receivable during the year ended December 31, 2018, and a defaulted working capital corporate note receivable during the year ended December 31, 2017. The equipment corporate note receivable of approximately \$117,000 has an allowance for doubtful accounts recorded against it as the Company is actively pursuing collection through legal measures. The working capital corporate note receivable was written off directly to bad debt expense.

NOTE 6 - 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. The Organization had refundable advances of \$241,003 and \$50,375 as of December 31, 2018 and 2017, respectively, representing grant receipts in excess of loans made.

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following at December 31:

	<u>2018</u>	<u>2017</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.	\$ 591,280	\$ 598,791
Note payable to Local Initiatives Support Corporation; secured by real estate on the North Broadway Street property. The note bears no interest, and 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.	<u>123,000</u>	<u>123,000</u>
	<u>\$ 714,280</u>	<u>\$ 721,791</u>

In 2017, King Park 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 King Park 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 consolidated statement of activities and change in net assets.

NOTE 8 - DEBT ISSUANCE COSTS SUBJECT TO AMORTIZATION

In 2017, King Park incurred debt issuance costs of \$22,000 associated with the acquisition of the note payable to IFF. These debt issuance costs are amortized over the life of the related note payable. Amortization expense of \$1,467 is included with interest expense on the consolidated statement of activities and change in net assets for the year ended December 31, 2018.

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

NOTE 9 - 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 5.5% as of December 31, 2018) 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 \$325,884 and \$396,330 as of December 31, 2018 and 2017, respectively.

NOTE 10 - GRANT FUNDING

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

	<u>2018</u>	<u>2017</u>
FEDERAL PASS-THROUGH AWARDS		
City of Indianapolis	\$ 1,154,558	\$ 1,441,846
Indiana Housing and Community Development	143,300	-
	<u>1,297,858</u>	<u>1,441,846</u>
FEDERAL DIRECT AWARDS		
Department of Health and Human Services	586,439	653,524
Department of Treasury	109,372	-
	<u>695,811</u>	<u>653,524</u>
STATE AND LOCAL GRANTS		
Indianapolis Neighborhood Housing Partnership	80,000	60,000
Indianapolis Foundation	-	60,000
Local Initiatives Support Corporation	-	6,395
Merchants Bank	10,000	-
	<u>90,000</u>	<u>126,395</u>
<i>Total grant funding</i>	<u>\$ 2,083,669</u>	<u>\$ 2,221,765</u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purpose as of December 31:

	<u>2018</u>	<u>2017</u>
Technical assistance	\$ -	\$ 52,033
Wages and other administrative expenses	-	4,162
Financial assistance (loan fund)	<u>31,899</u>	<u>-</u>
	<u>\$ 31,899</u>	<u>\$ 56,195</u>

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

NOTE 12 - RISKS AND UNCERTAINTIES

King Park is engaged in the business of residential real estate development, sale, and rental in Indianapolis, Indiana, and is subject to risks associated with this industry and geographic area, including socio-economic factors, interest rates, and availability and cost of materials. Build Fund and Edge Fund are engaged in the business of lending to corporate and individual entities and are subject to the risk of loss due to defaulted loans.

Each consolidated entity 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 13 - LIQUIDITY

The Organization's financial assets include cash, cash - restricted, grants receivable, other receivables, and notes receivable. Following is a schedule of financial assets available for general use within one year as of December 31, 2018:

	<u>King Park</u>	<u>Build Fund</u>	<u>Edge Fund</u>	<u>Consolidated</u>
Financial assets	\$ 597,706	\$ 3,946,045	\$ 660,189	\$ 5,203,940
Less: donor restrictions for specific purposes	-	(31,889)	-	(31,889)
Less: notes receivable unlikely to be available for general expenditures within one year	<u>(75,644)</u>	<u>(2,517,437)</u>	<u>(401,103)</u>	<u>(2,994,184)</u>
<i>Financial assets available for general use within one year</i>	<u>\$ 522,062</u>	<u>\$ 1,396,719</u>	<u>\$ 259,086</u>	<u>\$ 2,177,867</u>

The consolidated entities are separated for legal and regulatory purposes, however, all three entities are governed and operated collectively as one organization. Liquidity is transferrable between entities at the discretion of management and approval of the Board of Directors. The Organization has approximately \$2,178,000 in financial assets available for general use within one year, which represents approximately 660 days cash on hand considering consolidated total expenses incurred during the year ended December 31, 2018. In addition, Build Fund has a \$1,200,000 line of credit, of which approximately \$874,000 of borrowing capacity existed as of December 31, 2018.

Donor restrictions are tracked in separate funds, with adequate cash available to cover restrictions. The Organization has no Board-designated net assets.

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017**

NOTE 14 - 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:

2019	\$	43,922
2020		40,842
2021		41,901
2022		42,902
2023		43,913
Thereafter		113,557

NOTE 15 - FUNCTIONAL EXPENSE REPORTING

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

SUPPLEMENTARY INFORMATION

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

<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			
Community Services Block Grants/Entitlement Grants			
Pass-Through City of Indianapolis			
Home Ownership Development	14.218	POI1300003707	\$ 252,000
Home Ownership Development	14.218	POI1300003061	165,512
Economic Development	14.218	POI1300003214	186,298
Economic Development	14.218	POI1300003480	460,525
Home Investment Partnerships Program	14.239	POI1300003677	115,000
<i>Total for pass-through City of Indianapolis</i>			<u>1,179,335</u>
Pass-Through Indiana Housing and Community Development Authority			
Rental Housing	14.228	DR1-PSH_RLF-2017	143,300
<i>Total for federal grantor agency</i>			<u>1,322,635</u>
U.S. DEPARTMENT OF TREASURY			
Community Development Financial Institutions Program	21.020	161TA020762	52,033
Community Development Financial Institutions Program	21.020	171FA021707	77,473
<i>Total for federal grantor agency</i>			<u>129,506</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	90EE1175-01-01	586,439
<i>Total federal awards expended</i>			<u>\$ 2,038,580</u>

See independent auditors' report and accompanying notes to this consolidated schedule

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
NOTES TO THE CONSOLIDATED SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of King Park Development Corporation, Build Fund, LLC, and Edge Fund, LLC (collectively, the “Organization”) under programs of the federal government for the year ended December 31, 2018. 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, functional expense, 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.

NOTE 3 - INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2018**

	<u>King Park</u>	<u>Build Fund</u>	<u>Edge Fund</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Cash	\$ 52,607	\$ 1,297,781	\$ 223,171	\$ -	\$ 1,573,559
Cash - restricted	30,401	-	-	-	30,401
Receivables:					
Grants	-	130,827	35,915	-	166,742
Other	618,039	205,000	252,000	(635,985) *	439,054
Prepaid expenses	10,059	1,800	-	-	11,859
Notes receivable - corporate, net of allowance	75,644	2,517,437	-	-	2,593,081
Notes receivable - personal	-	-	401,103	-	401,103
Investments in real estate	796,605	-	-	-	796,605
Investment in Edge Fund, LLC	430,000	-	-	(430,000) *	-
Rental real estate, net	618,796	-	-	-	618,796
Property and equipment, net	38,214	22,824	15,556	-	76,594
TOTAL ASSETS	<u>\$ 2,670,365</u>	<u>\$ 4,175,669</u>	<u>\$ 927,745</u>	<u>\$ (1,065,985)</u>	<u>\$ 6,707,794</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Line of credit	\$ -	\$ 325,884	\$ -	\$ -	\$ 325,884
Accounts payable	370,044	11,024	172,511	(430,985) *	122,594
Accrued payroll and benefits	19,411	-	-	-	19,411
Notes payable	714,280	-	205,000	(205,000) *	714,280
Less: unamortized debt issuance costs	(20,533)	-	-	-	(20,533)
Grant obligations payable	50,000	-	-	-	50,000
Security deposits	7,233	-	-	-	7,233
Refundable advances	-	241,003	-	-	241,003
<i>Total liabilities</i>	<u>1,140,435</u>	<u>577,911</u>	<u>377,511</u>	<u>(635,985)</u>	<u>1,459,872</u>
NET ASSETS					
Contributed funds - KPDC	-	-	430,000	(430,000) *	-
Without donor restrictions	1,529,930	3,565,859	120,234	-	5,216,023
With donor restrictions	-	31,899	-	-	31,899
<i>Total net assets</i>	<u>1,529,930</u>	<u>3,597,758</u>	<u>550,234</u>	<u>(430,000)</u>	<u>5,247,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,670,365</u>	<u>\$ 4,175,669</u>	<u>\$ 927,745</u>	<u>\$ (1,065,985)</u>	<u>\$ 6,707,794</u>

* Eliminations represent the amounts owed between the consolidated entities.

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE 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
Notes receivable - corporate	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
TOTAL ASSETS	<u>\$ 2,556,402</u>	<u>\$ 3,108,908</u>	<u>\$ (98,160)</u>	<u>\$ 5,567,150</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Line of credit	\$ -	\$ 396,330	\$ -	\$ 396,330
Accounts payable	238,758	112,860	(98,160) *	253,458
Accrued payroll and benefits	38,770	-	-	38,770
Notes payable	721,791	-	-	721,791
Less: unamortized debt issuance costs	(22,000)	-	-	(22,000)
Grant obligations payable	50,000	-	-	50,000
Security deposits	12,200	-	-	12,200
Refundable advances	-	50,375	-	50,375
<i>Total liabilities</i>	<u>1,039,519</u>	<u>559,565</u>	<u>(98,160)</u>	<u>1,500,924</u>
NET ASSETS				
Without donor restrictions	1,516,883	2,493,148	-	4,010,031
With donor restrictions	-	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>\$ 2,556,402</u>	<u>\$ 3,108,908</u>	<u>\$ (98,160)</u>	<u>\$ 5,567,150</u>

* Eliminations represent the amounts owed between the consolidated entities.

See independent auditors' report

**KING PARK DEVELOPMENT CORPORATION,
BUILD FUND, LLC, and EDGE FUND, LLC**
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2018

	King Park	Build Fund		Edge Fund		Eliminations	Total
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		
REVENUES, SUPPORT, AND GAINS							
Federal awards	\$ 255,735	\$ 1,290,134	\$ 52,500	\$ 1,342,634	\$ 395,300	\$ -	\$ 1,993,669
State and local grants	80,000	-	10,000	10,000	-	-	90,000
Rental income	100,116	-	-	-	-	-	100,116
Service fees	5,100	-	-	-	-	-	5,100
Origination fees	-	11,405	-	11,405	2,050	-	13,455
Contributions	123,258	-	-	-	-	-	123,258
Interest income from notes receivable	1,559	96,776	-	96,776	2,224	-	100,559
Other income	776	17,400	-	17,400	-	-	18,176
Sale of real estate:							
Proceeds from sale	1,491,900	-	-	-	-	-	1,491,900
Basis of property	(1,434,567)	-	-	-	-	-	(1,434,567)
<i>Gain on sale of real estate</i>	57,333	-	-	-	-	-	57,333
Net assets released from restrictions	-	86,796	(86,796)	-	-	-	-
<i>Total revenues, gains, and support</i>	623,877	1,502,511	(24,296)	1,478,215	399,574	-	2,501,666
FUNCTIONAL EXPENSES							
Program services	488,664	418,650	-	418,650	268,976	-	1,176,290
Management and general	122,166	11,150	-	11,150	10,364	-	143,680
<i>Total expenses</i>	610,830	429,800	-	429,800	279,340	-	1,319,970
TOTAL CHANGE IN NET ASSETS	13,047	1,072,711	(24,296)	1,048,415	120,234	-	1,181,696
NET ASSETS							
Beginning of year	1,516,883	2,493,148	56,195	2,549,343	-	-	4,066,226
End of year	\$ 1,529,930	\$ 3,565,859	\$ 31,899	\$ 3,597,758	\$ 120,234	\$ -	\$ 5,247,922

See independent auditors' report

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

	<u>King Park</u>		<u>Build Fund</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>		
REVENUES, SUPPORT, AND GAINS						
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	-	-	-	-	4,202
Origination fees	-	14,843	-	14,843	-	14,843
Fundraising	18,329	-	-	-	-	18,329
Contributions	23,022	5,000	-	5,000	-	28,022
Interest income from notes receivable	2,792	112,705	-	112,705	-	115,497
Other income	776	4,722	-	4,722	-	5,498
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)
Gain on sale of real estate	158,065	-	-	-	-	158,065
Net assets released from restrictions	-	100,414	(100,414)	-	-	-
<i>Total revenues, gains, and support</i>	<u>1,262,370</u>	<u>1,819,919</u>	<u>(40,414)</u>	<u>1,779,505</u>	<u>-</u>	<u>3,041,875</u>
FUNCTIONAL EXPENSES						
Program services	749,107	458,674	-	458,674	-	1,207,781
Management and general	142,698	93,662	-	93,662	-	236,360
<i>Total expenses</i>	<u>891,805</u>	<u>552,336</u>	<u>-</u>	<u>552,336</u>	<u>-</u>	<u>1,444,141</u>
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



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, Build Fund, LLC, and Edge Fund, LLC (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets, functional expenses, 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 12, 2019.

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

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

Indianapolis, Indiana
June 12, 2019



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, Build Fund, LLC's, and Edge 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, 2018. 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.

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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, 2018.

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



Indianapolis, Indiana
June 12, 2019

**KING PARK DEVELOPMENT CORPORATION,
 BUILD FUND, LLC, and EDGE FUND, LLC
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year ended December 31, 2018**

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:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

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?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.