

***BUILD FUTURES***  
***(A California not-for-profit corporation)***  
***AUDITED FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2016***

**BUILD FUTURES**  
**(A California not-for-profit corporation)**

Table of contents

	<u>Page</u>
Independent auditor's report	3
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7
Statement of cash flows	8
Notes to financial statements	9
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards	17



To the Board of Directors  
**Build Futures**  
Huntington Beach, California

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of **Build Futures** which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flow for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2015 financial statements and in our report dated March 13, 2016 an unmodified opinion was expressed on those financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion statements.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Build Futures** as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2017 on our consideration of **Build Futures'** internal control over financial reporting and 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 **Build Futures'** internal control over financial reporting and compliance.

*JZ CPAs Inc*

Long Beach, California  
June 2, 2017

BUILD FUTURES  
STATEMENT OF FINANCIAL POSITION  
As of December 31, 2016  
(With comparative totals as of December 31, 2015)

	2016	2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 169,419	\$ 73,669
Accounts receivable	-	5,143
Prepaid rent	5,376	-
Security deposit	500	500
<b>Total current assets</b>	175,295	79,312
<b>Property and equipment:</b>		
Furniture and equipment (Note 3)	-	1,565
Less: accumulated depreciation (Note 3)	-	(936)
<b>Net property and equipment</b>	-	629
<b>TOTAL ASSETS</b>	\$ 175,295	\$ 79,941
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,500	\$ 2,258
Accrued expense	2,164	-
<b>Total current liabilities</b>	3,664	2,258
<b>Total liabilities</b>	3,664	2,258
<b>Net Assets:</b>		
Unrestricted net assets	171,631	77,683
<b>Total net assets</b>	171,631	77,683
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 175,295	\$ 79,941

The accompanying notes are an integral part of these financial statements.

BUILD FUTURES  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2016  
(With comparative totals for the year ended December 31, 2015)

	2016	2015
<b>SUPPORT AND REVENUES:</b>		
Contributions	\$ 203,282	\$ 88,430
Donated goods and services	216,600	205,273
Other income	-	2,587
	<b>419,882</b>	<b>296,289</b>
<b>EXPENSES:</b>		
Program services	316,732	276,949
Management and general	6,702	2,434
Fundraising	2,500	-
	<b>325,934</b>	<b>279,383</b>
<b>Increase in net assets</b>	<b>93,948</b>	<b>16,906</b>
Net assets, beginning of the year	77,683	60,777
<b>Net assets, end of the year</b>	<b>\$ 171,631</b>	<b>\$ 77,683</b>

The accompanying notes are an integral part of these financial statements.

BUILD FUTURES  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2016  
(With comparative totals for the year ended December 31, 2015)

	Programs	Management and general	Fundraising	2016 Total expenses	2015 Total expenses
<b>EXPENSES:</b>					
Accounting	\$		\$ 2,604	\$ 2,604	\$ 375
Program services	14,553			14,553	7,339
Books, subscriptions, education	1,584	1,176		2,760	646
Business registration fees		60		60	80
Computer expenses	162	905		1,067	1,221
Laundry	96			96	187
Clothing	2,072			2,072	442
Documentation	574			574	171
Depreciation				-	156
Donated goods and services	216,600			216,600	205,273
Food	2,329			2,329	1,429
Fundraising			1,335	1,335	-
Gas	290			290	259
Hygiene				-	72
Office expenses				-	1,903
Rent	3,993			3,993	5,255
Housing	46,847			46,847	38,897
Insurance	500			500	476
Internet		1,295		1,295	502
Medical	9			9	256
Membership dues	591			591	520
OCTA bus pass	8,834			8,834	2,849
Other expense	3,473			3,473	3,196
Phones	7,796	662		8,458	5,592
Printing and copying	1,438			1,438	711
Postage and mailing service	623			623	317
Supplies	1,347			1,347	790
Conference, Convention, Meeting	1,710			1,710	469
Travel and meeting	647			647	-
Volunteer expenses	664			664	-
Marketing expenses			1,165	1,165	-
<b>Total expenses</b>	<b>\$ 316,732</b>	<b>\$ 6,702</b>	<b>\$ 2,500</b>	<b>\$ 325,934</b>	<b>\$ 279,383</b>

The accompanying notes are an integral part of these financial statements

BUILD FUTURES  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2016  
(With comparative totals for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 93,948	\$ 16,906
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	-	156
Loss on fixed asset disposal	629	-
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in assets:		
Accounts receivable	5,143	(5,143)
Prepaid rent	(5,376)	-
Due from officer	-	165
Increase (decrease) in liabilities:		
Accounts payable	(758)	2,258
Accrued expense	2,164	-
	<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	<u>95,750</u>	<u>14,341</u>
<b>Net increase in cash</b>	<u>95,750</u>	<u>14,341</u>
Cash - beginning of the year	<u>73,669</u>	<u>59,327</u>
<b>Cash - end of the year</b>	<u><u>\$ 169,419</u></u>	<u><u>\$ 73,669</u></u>

The accompanying notes are an integral part of these financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF ACTIVITIES**

**ORGANIZATION**

Build Futures began in 2009 when the founder, Kathy Tillotson, identified a large gap in housing and services for homeless youth ages 18 to 24 in Orange County. Coming from a business background, Kathy developed a structured, step-by-step program of intervention, called “Steps to Success”, which is tailored to each client combined with a one-on-one supportive relationship based on compassion to move homeless youth from surviving on the streets to self-sufficiency. Stable housing and employment are the keys to the success of our clients.

Build Futures is a volunteer-run organization, with over 50 active volunteers and interns from a wide range of backgrounds contributing countless hours. Every semester they have four or more interns from local colleges. There are ten members on their Board of Directors. Their backgrounds include finance, business, information technology, marketing, Department of Probation, faith and community outreach. In 2016, 95% of every dollar donated went to client program expenses.

Funding for staff case managers is the biggest need. This population requires intense case management for success and for the best results. Volunteers alone are not a feasible solution to provide the level of intense case management these kids need.

With the additional cash reserves from 2016, two new non staff part time case managers have been hired to work directly with the youth on their *Steps to Success* path to obtaining a job and self-sufficiency.

**MISSION**

Build Futures takes homeless youth ages 18 to 24 off the streets of Orange County within 24 hours and provides them with stable, safe housing, mentorship and the services, resources and support needed to obtain and maintain employment, self-sufficiency and long-term independence. They use a national evidence based best practice called Rapid Rehousing.

The goal is to help every homeless youth who is referred to or contacts Build Futures and is able to work; they continue to meet that goal.

Build Futures impacts, transforms and saves lives. Homeless youth flee physical, sexual and emotional abuse, conflict, neglect, and poverty. On the street, they are faced with the dangers of sex and labor trafficking, crime, violence, psychological and medical issues and rising drug problems. Sixty percent are victimized. Build Futures is dedicated to quickly taking these homeless youth off the streets, providing safe housing and helping them gain independence. Their downward spiral to chronic homelessness is reversed, as

These notes are an integral part of the preceding financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

they become valuable working members of our community. Build Futures fills a gap in services for these youth and removes the barriers to getting help and housing.

THE NEED

A shocking new study from the University of Pennsylvania and Loyola University of New Orleans found nearly a fifth of homeless youth in the United States and Canada are victims of trafficking.

In Orange County public schools, over 2,000 high school seniors 18 or turning 18 are homeless, a number that continues to increase each year. According to the Orange County Community Indicators 2015 Report, over the past ten years, the percent change in homeless and housing insecure students has increased an astonishing 236%. This is a growing problem with widespread effects.

One in ten students at California State University schools are homeless.

Homeless youth cycle in and out of hospital emergency departments and inpatient beds, detox programs, jails, prisons, and psychiatric institutions, all at high public expense. These youth in crisis have no home, no hope and no way out unless they get them off the street now.

Homeless single youth are often overlooked when services for the homeless are considered but unless homeless youth are assisted they will become the chronically homeless. Small investments made early on can prevent long-term homelessness.

Many of Build Futures' youth clients have experienced extraordinarily high levels of abuse and victimization before, during, and after episodes of homelessness and live with ongoing dangers and threats. The longer a youth is homeless, the higher the risk they will become a chronically homeless adult.

The unemployment and homeless rate for youth 16 to 24 is the highest for any age group. Without employment, many homeless youth have no choice but to turn to drugs, survival sex, prostitution and crime. Without the housing and support Build Futures provides, the barriers for homeless youth seeking and obtaining employment are often too difficult to overcome.

Approximately 50% of the clients do not have "right to work" documents (Social Security card, CA ID) because they have been lost or stolen. This prevents them from working or participating in Workforce Investment programs or entering most housing programs or services. Build Futures is one of the very few programs that will house someone during the 3 – 6 week replacement delay while they wait for those documents. This is an excellent example of a gap in services that is filled by Build Futures. Without this

These notes are an integral part of the preceding financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

intervention, those clients would have to remain on the street and would not be able to get jobs.

**BUILD FUTURES’ INNOVATION RECOGNIZED**

Build Futures has achieved significant and impressive outcomes at a very small cost per client with one of the hardest populations to serve. They achieved these outcomes with open doors, very limited criteria for entry, and immediate housing without wait lists and lengthy intake processes. Build Futures is unique in Orange County and possibly the country. No other homeless housing provider in Orange County has the impact per dollar that Build Futures has achieved, with \$.95 of every donated dollar going directly for clients.

Build Futures’ unique program is the best way to serve the largest number of homeless young adults and thus they work hard to share their “business model” with other homeless service providers. Kathy Tillotson, executive director, was asked to present Build Futures’ youth employment model at the National Alliance to End Homelessness conference, and has received numerous honors for her work with homeless youth. In 2016, Kathy was chosen for the National L’Oréal Women of Worth award out of 6,200 nominees, the Farmers & Merchants’ “California’s Strongest People You Can Bank On”, Service above Self award and was chosen as the daily Point of Light Award honoree for her inspiring service work with homeless youth. She also received the White House Lifetime Volunteer Award. Kathy received Senator Correa’s “Women Making a Difference” Award in 2011 and was a National Philanthropy Day Honoree in 2013.

**BUILD FUTURES’ OUTCOMES FOR 2016**

Build Futures housed and provided full case management to a record 125 homeless youth, an increase of 15% from the previous year and helped over 120 more. Build Futures expects to house and provide full case management for 150 homeless youth in 2017 (a 20% increase), and to help over 300 homeless youth in some tangible way. Each year, Build Futures has served a larger number of homeless youth. Their services increase the protective factors around homeless youth and help them overcome the particular obstacles they face so they can get off the streets and become self-sufficient.

For the last two years, 75% of the homeless youth in their Rapid Rehousing program obtained employment and were able to pay their own rent and become self-sufficient. Almost half of the youth did not have a high school diploma. The job placement rate is impressive considering the very low barriers to enter the program. Build Futures gives a chance to the youth that others turn away; the chronically homeless, drug users, those with legal issues and felonies, they forgo the requirements and obstacles that are common with many non-profits and programs in this age group.

These notes are an integral part of the preceding financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

COLLABORATIONS

All of the youth are referred by the community, by 211, nonprofits, schools, social services, homeless court, faith based organizations and other homeless youth and individuals. Since 2012, they have helped every homeless youth who was referred in some way.

A critical component of our program is working collaboratively with existing non-profit organizations, community services, faith based organizations, educational institutions and volunteers to close the gap in the service continuum. Build Futures compliments, enhances and extends these existing services to provide complete and unique case management and wraparound support unique to each youth's needs.

Build Futures only exists to fill gaps in services not duplicate any existing services or resources. They have developed a searchable online resource database of over 1300 resources and services in Orange County on their website that is available to the public and that they use to make referrals to existing services and nonprofits whenever possible to increase resources for our clients; this is continually being updated. They network with homeless service providers in the county to monitor housing openings and any new programs funded. They are very involved in the Commission to End Homelessness implementation groups for Rapid Rehousing and Employment.

They have partnerships with job placement agencies including Goodwill, Women Helping Women/Men to Work, Second Chance/Illumination Foundation, Career Wise, Workforce Investment Board, Economic Development Dept., Conservation Corps and others. They also work with the community colleges and certification programs like Taller San Jose.

BUILD FUTURES' PROGRAMS

To meet the need for affordable housing, Build Futures has established relationships with housing partners and currently has 80 homes to place youth. Rent is paid by the week for a shared room and averages \$135/wk. per bed per youth. All houses have a house manager so youth are monitored for drug and alcohol use and learn structure, responsibility for chores, and how to get along with others in a shared living space. The sober living homes have curfews and require AA meetings. While many of the clients start paying their own rent within 90 days (costing Build Futures \$ 1,750), rent is paid as long as the client is actively working with Build Futures to obtain employment.

Through the *Steps to Success* program, Build Futures facilitates their ability to get off the streets permanently by obtaining long term employment. *Steps to Success* involves extensive one-on-one guidance during the first few months and ensuring basic needs are met (food, clothing, shelter, etc.) through direct intervention or appropriate referrals. Assistance is given to obtain food stamps and medical insurance. Any medical, dental,

These notes are an integral part of the preceding financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

mental health, substance abuse, and legal issues are addressed. A plan for higher education is developed.

Clients are provided with a bus pass and cell phone so they can attend workforce development training, job interviews, and communicate with potential employers as well as their mentor. They are provided with employment and educational supports. The youth require training and guidance in becoming job ready, learning basic life skills, and creating and following a daily schedule. Many of the youth clients need added support to learn how to not only obtain a job but also keep it. Build Futures “learn to work” approach provides job readiness and life skill training before job placement so clients keep their jobs. This does require a longer time for housing support. With these steps, many of the youth go from living on the streets to paying their own rent in just 90 days. Employment is key to maintaining housing.

Homeless youth face a combination of obstacles to employment typically not experienced by other unemployed workers. A single homeless youth may have to overcome many if not all of the following:

- No permanent residence;
- No strong adult guidance or support system;
- No “right to work” documentation;
- Inability to pay for transportation or cell phones;
- No previous job experience;
- Limited or no social and workplace skills;
- Being stigmatized for being homeless;
- Poor nutrition and limited access to food;
- No high school education or gaps in education;
- No experience with money, a bank account, etc.;
- Legal issues;
- Depression or other mental health issues.

Youth this age have unique requirements; contrary to popular belief, they are not yet adults. Young people disproportionately suffer from serious health, behavioral, and emotional problems and homeless youth suffer to a higher degree. An important component of promoting social and emotional well-being in youth clients includes knowledge of the impact of trauma, which can have a profound effect on the overall functioning of the youth they serve. A trauma-informed approach involves understanding the symptoms of chronic interpersonal trauma and traumatic stress as well as the behavioral and mental health consequences of trauma. Using national evidence-informed practices derived from the best available research and professional expertise, the

These notes are an integral part of the preceding financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF ACTIVITIES (continued)**

program focuses on boosting the "protective factors" around homeless youth. Protective factors are the positive influences that reduce the effects of stressful life events on young people, increase their ability to make good decisions, and promote the social and emotional competence that will help them thrive now and in the future.

**EVALUATION AND OUTCOME MEASUREMENT**

Build Futures has a Salesforce client, volunteer and donor information management and tracking system. Our client information system provides the information related to client needs and services provided. This system collects and tracks client progress and program effectiveness. Reports generated from the database will provide data that will allow analysis of outcomes and effectiveness of Build Futures' program and services. The measurements are based on our "Steps to Success" self-sufficiency plan.

The outcome measurement will be determined in two ways. The first will be how many youth are taken off the street and provided stable housing. The second will be how many obtained a job and became self-sufficient. To measure these outcomes, tracking is done with Salesforce on each step including: housing, job skill development, education, obtaining full right to work documentation, mental health counseling, medical, dental, vision, legal, food stamps, Cal Fresh and MediCal. Reports will be generated to track client needs, services received, outcomes and promote monitoring and analysis of client progress in their self-sufficiency plans. It will promote the identification of client service needs and areas for additional focus. Our volunteer management system facilitates the system for coordination and management of mentors and clients and improving volunteer involvement in meeting client needs. Information provided will increase coordination with other nonprofit organizations to better serve our clients and help expand awareness of the organizations and volunteer activities making the most significant impact on our clients.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**FINANCIAL STATEMENT PRESENTATION**

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations."

**ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

These notes are an integral part of the preceding financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, Build Futures considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

INCOME TAXES

Build Futures is a not-for-profit organization that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. Build Futures' management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Build Futures' Forms 990, Return of Organization Exempt from Income Tax for the years ending December 31, 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

PROPERTY AND EQUIPMENT

Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Leasehold improvements are depreciated over the lease term (including options) or the useful life.

Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Build Futures financial statements for the year ended December 31, 2015 from which the summarized information was derived.

These notes are an integral part of the preceding financial statements.

**BUILD FUTURES**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows at December 31, 2016:

<u>Description</u>	<u>Cost</u>
Property and equipment	\$ 1,565
Less: accumulated depreciation	(936)
Disposal	<u>(629)</u>
Net property and equipment	\$ <u>0</u>

During 2016, the property and equipment with the carrying value of \$629 was written off.

**NOTE 4 – SUBSEQUENT EVENTS**

Build Futures' Management has evaluated subsequent events for the period from December 31, 2016 through June 2, 2017, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.



To the Board of Directors  
**Build Futures**  
Huntington Beach, California

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

We have audited, in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Build Futures, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Build Futures’ 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Build Futures’ internal control. Accordingly, we do not express an opinion on the effectiveness of Build Futures’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Build Futures'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*JZ CPAs Inc*

Long Beach, California  
June 2, 2017