

GREATER HAMMOND COMMUNITY
SERVICES, INC.

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

GREATER HAMMOND COMMUNITY SERVICES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Hammond Community Services, Inc.
Hammond, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Hammond Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Hammond Community Services, Inc. as of June 30, 2017 and 2016, and the 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.



McMahon and Associates Certified Public Accountants, P.C.
Munster, IN

August 23, 2017

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 8,642	\$ 14,067
Grants receivable	73,552	56,684
Prepaid expenses	1,557	3,015
Total current assets	<u>83,751</u>	<u>73,766</u>
<u>FIXED ASSETS - (NET)</u>	<u>252,621</u>	<u>266,777</u>
<u>TOTAL ASSETS</u>	<u>\$ 336,372</u>	<u>\$ 340,543</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Line of credit	\$ 104,992	\$ 116,184
Current portion of long-term debt	5,938	12,142
Loan from donor	10,000	0
Accounts payable	21,770	21,997
Accrued audit fee	8,300	7,800
Accrued payroll and payroll taxes	4,952	3,386
Total current liabilities	<u>155,952</u>	<u>161,509</u>
<u>LONG-TERM LIABILITIES</u> - Long-term debt	<u>52,631</u>	<u>58,645</u>
Total liabilities	<u>208,583</u>	<u>220,154</u>
<u>NET ASSETS</u> - Unrestricted	<u>127,789</u>	<u>120,389</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 336,372</u>	<u>\$ 340,543</u>

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016	Increase (Decrease)
<u>REVENUE, GAINS, AND OTHER SUPPORT:</u>			
Lake Area United Way	\$ 169,149	\$ 99,360	\$ 69,789
City of Hammond	35,598	30,000	5,598
City of Hammond Grants - CDBG	30,447	39,395	(8,948)
Federal Emergency Mgmt Agency - FEMA	5,927	54,636	(48,709)
NWICA reimbursement grants	144,071	165,403	(21,332)
Contributions	88,143	69,176	18,967
In-kind contributions	321,777	441,361	(119,584)
McKinney Grant	142,789	76,819	65,970
PRJCI project income	16,893	30,739	(13,846)
Total revenue and support	<u>954,794</u>	<u>1,006,889</u>	<u>(52,095)</u>
<u>EXPENSES:</u>			
Food Pantry and other direct services	447,484	636,401	(188,917)
Congregate Meals Program	74,680	106,460	(31,780)
Handyman Chore Person	23,155	23,185	(30)
Rapid Re-housing	158,324	96,272	62,052
Section 8 Housing	55,081	67,265	(12,184)
PRJCI Services	17,586	60,969	(43,383)
Energy Assistance Program	45,474	58,446	(12,972)
United for Families	73,907	0	73,907
Management and administrative	50,703	30,993	19,710
Fundraising	1,000	1,000	0
Total expenses	<u>947,394</u>	<u>1,080,991</u>	<u>(133,597)</u>
INCREASE (DECREASE) IN NET ASSETS	7,400	(74,102)	\$ <u>81,502</u>
NET ASSETS - BEGINNING OF YEAR	<u>120,389</u>	<u>194,491</u>	
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 127,789</u>	<u>\$ 120,389</u>	

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Food Pantry and Other Direct Services	Congregate Meals Program	Handyman Chore Person	Rapid Re-housing	Section 8 Housing	PRJCI Meal Program	Energy Assistance Program	United For Families	Management and Administrative Expense	Fundraising	Total
EXPENSES:											
Personnel costs	\$ 56,398	\$ 4,464	\$ 0	\$ 45,334	\$ 45,696	\$ 12,766	\$ 26,649	\$ 69,840	\$ 158	\$ 0	\$ 261,305
Professional services	6,955	1,739	0	1,739	1,839	0	10,039	0	2,482	0	24,793
Space costs	4,658	468	0	692	692	223	2,643	0	0	0	9,376
Utility costs	8,179	1,825	0	2,417	1,728	735	1,764	763	987	0	18,398
Vehicle costs	7,055	0	0	0	0	0	(190)	0	15,235	0	22,100
Small equipment	6,145	2,232	0	869	869	605	869	1,517	8,229	0	21,335
Beneficiary:											
Purchased	23,428	62,458	23,155	104,560	0	1,808	0	0	16,796	0	232,205
In-kind	321,780	0	0	0	0	0	0	0	0	0	321,780
Insurance	7,114	1,110	0	1,789	1,789	679	1,789	227	0	0	14,497
Supplies	3,566	120	0	421	1,965	351	1,408	1,142	1,118	0	10,091
Travel	0	0	0	0	0	0	0	347	0	0	347
Interest expense	2,045	264	0	503	503	239	503	31	5,495	0	9,583
Miscellaneous	161	0	0	0	0	180	0	40	203	1,000	1,584
TOTAL EXPENSES	\$ 447,484	\$ 74,680	\$ 23,155	\$ 158,324	\$ 55,081	\$ 17,586	\$ 45,474	\$ 73,907	\$ 50,703	\$ 1,000	\$ 947,394

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Food Pantry and Other Direct Services	Congregate Meals Program	Handyman Chore Person	Rapid Re-housing	Section 8 Housing	PRJCI Meal Program	Energy Assistance Program	Management and Administrative Expense	Fundraising	Total
EXPENSES:										
Personnel costs	\$ 84,051	\$ 19,482	\$ 0	\$ 31,716	\$ 55,011	\$ 60,235	\$ 37,409	\$ 0	\$ 0	\$ 287,904
Professional services	12,040	2,760	0	2,725	2,760	0	10,560	2,528	0	33,373
Space costs	9,669	2,452	0	2,182	305	0	3,518	110	0	18,236
In-kind space costs	0	19,438	0	0	0	0	0	0	0	19,438
Utility costs	8,408	3,295	0	1,671	1,672	443	1,639	1,374	0	18,502
Vehicle costs	4,244	0	0	0	0	0	190	10,555	0	14,989
Small equipment	9,403	890	0	885	1,327	0	1,110	8,574	0	22,189
Beneficiary:										
Purchased	70,008	54,904	23,185	54,148	0	0	0	862	0	203,107
In-kind	421,923	0	0	0	0	0	0	0	0	421,923
Insurance	8,053	1,944	0	1,942	1,944	0	1,944	0	0	15,827
Supplies	5,432	688	0	396	3,639	54	1,469	1,996	0	13,674
Interest expense	2,428	607	0	607	607	0	607	5,039	0	9,895
Miscellaneous	742	0	0	0	0	237	0	(45)	1,000	1,934
TOTAL EXPENSES	\$ 636,401	\$ 106,460	\$ 23,185	\$ 96,272	\$ 67,265	\$ 60,969	\$ 58,446	\$ 30,993	\$ 1,000	\$ 1,080,991

GREATER HAMMOND COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Grant revenue	\$ 544,874	\$ 496,347
Contributions	88,143	69,181
Cash paid for interest	(9,583)	(9,895)
Cash paid for expenses	(615,449)	(607,806)
Net cash provided (used) by operating activities	<u>7,985</u>	<u>(52,173)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES - Purchase</u>		
of fixed assets	<u>0</u>	<u>(24,842)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Increase in line of credit	49,680	191,292
Repayment of line of credit	(60,872)	(134,895)
Loan proceeds	10,000	0
Loan payments	(12,218)	(11,415)
Net cash provided (used) by financing activities	<u>(13,410)</u>	<u>44,982</u>
NET DECREASE IN CASH	(5,425)	(32,033)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>14,067</u>	<u>46,100</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 8,642</u>	<u>\$ 14,067</u>
<u>RECONCILIATION OF CHANGES IN NET ASSETS TO NET</u>		
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Change in net assets	\$ 7,400	\$ (74,102)
Add (deduct) non-cash items:		
Depreciation	14,156	14,671
Decrease (increase) in assets:		
Grants receivable	(16,868)	15,022
Prepaid expenses	1,458	956
Increase (decrease) in liabilities:		
Accounts payable	(227)	(2,305)
Accrued audit fee	500	900
Accrued payroll and payroll taxes	1,566	(7,315)
<u>NET CASH PROVIDED (USED)</u> <u>BY OPERATING ACTIVITIES</u>	<u>\$ 7,985</u>	<u>\$ (52,173)</u>

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Greater Hammond Community Services, Inc. (the Organization) provides basic needs such as food, shelter, energy assistance, and handyman services to the elderly and others in need in Northwest Indiana. The Organization operates a food pantry for the needy and congregate meals programs for the elderly. They also provide the information and referral services necessary to operate an energy assistance program and provide financial assistance to the needy for rental units for shelter. Northwest Indiana Community Action Corp. (NWICA) and the City of Hammond, through funding provided by the Federal government, and Lake Area United Way are the principal cash funding source of the Organization. The Organization also receives a large amount of donated food and household supplies to operate the food pantry.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting, which is used for both income tax and financial reporting purposes.

Financial Statement Presentation - The Organization has adopted Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958-205 which provides guidance to reporting on not-for-profit organizations. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes. There were no permanently or temporarily restricted net assets at June 30, 2017 and 2016. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates of revenues and expenses during the reporting period.

Cash and Cash Equivalents - Cash, as presented on the accompanying statements of financial position and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Cash equivalents consist of highly liquid accounts with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments and stated at cost, which approximates market value.

Income Taxes - Greater Hammond Community Services, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana. The Internal Revenue Service has given the Organization a favorable determination under Section 501 (c) (3) of the Internal Revenue Code, exempting the Organization from taxation.

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants Receivable - The Organization records bad debts on the direct write-off method when, in management's opinion, an account becomes uncollectible. The direct write-off method is a departure from generally accepted accounting principles. Bad debt expenses calculated using the direct write-off method do not differ materially from those calculated using generally accepted methods.

Inventory - Most of the food pantry items on hand are donated and none of the inventory is sold for profit. In order to match the contribution income with the beneficiary expense, the Organization expenses all donated and purchased food pantry inventory upon date of receipt.

Fixed Assets - Fixed assets are carried at cost, if purchased. The fair market value of donated fixed assets is also capitalized. The Organization's policy is to capitalize fixed asset purchases of \$5,000 or greater. Depreciation expense is computed using straight-line methods over the estimated useful life of the fixed assets. When fixed assets are retired or otherwise disposed of, the costs of related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized.

Contributed (In-Kind) Services, Materials, and Facilities - Certain contributed food and household supplies are recorded support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Volunteer services neither create nor enhance non-financial assets and do not require specialized skills, and thus are not recognized as support in the accompanying statements of activities. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services. At volunteer minimum wage rates for Indiana, the Organization has approximately 2,867 and 4,779 volunteer hours amounting to \$20,784 and \$34,646, of unrecorded time for the years ended June 30, 2017 and 2016, respectively.

The Organization received a majority of its food pantry items from local grocers. One grocer provided approximately 61% of all contributed items for the year ended June 30, 2017 and two grocers donated approximately 61% for the year ended June 30, 2016. The Organization also receives contributed facility of three local area elderly centers for the operation of its congregate meal program. The Organization records in-kind contributions and space cost expense based on the rental rates charged by the centers. During the years ended June 30, 2017 and 2016, respectively the Organization recorded \$321,780 and \$421,923 of contributed food stuffs and household goods and \$0 and \$19,438 of contributed space costs. As of July 1, 2016 the three local area elderly centers were no longer being used by the Organization.

Reclassification - Certain balances for the year ended June 30, 2016 have been reclassified to conform to the current year presentation.

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 23, 2017 the date the financial statements were available to be issued.

NOTE 2 - FIXED ASSETS

Depreciation expense was \$14,156 and \$14,671 for the years ended June 30, 2017 and 2016, respectively. Depreciation expense is recorded on the statements of functional expenses in space costs, small equipment, and vehicle costs.

Fixed assets consist of the following at June 30, 2017 and 2016:

<u>2017</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 49,750	\$ 0	\$ 49,750
Building and improvements	312,659	117,369	195,290
Furniture and equipment	58,107	58,107	0
Computer hardware	3,565	3,565	0
Computer software	1,449	1,449	0
Vehicles	<u>37,293</u>	<u>29,712</u>	<u>7,581</u>
Total fixed assets - net	<u>\$ 462,823</u>	<u>\$ 210,202</u>	<u>\$ 252,621</u>

<u>2016</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 49,750	\$ 0	\$ 49,750
Building and improvements	312,659	109,220	203,439
Furniture and equipment	58,107	57,424	683
Computer hardware	3,565	3,565	0
Computer software	1,449	1,449	0
Vehicles	<u>37,293</u>	<u>24,388</u>	<u>12,905</u>
Total fixed assets - net	<u>\$ 462,823</u>	<u>\$ 196,046</u>	<u>\$ 266,777</u>

NOTE 3 - SIGNIFICANT FUNDING SOURCES

The Organization received 39% and 39% of its cash funding from government funded programs run by NWICA, FEMA and City of Hammond during the years ended June 30, 2017 and 2016, respectively. These funding sources also account for 100% of grants receivable for the years ended June 30, 2017 and 2016. The Organization also received 18% and 10% of its cash funding from Lake Area United Way during the years ended June 30, 2017 and 2016, respectively. Reduction or loss of this funding could severely limit the Organization's ability to continue operations.

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 - LOAN FROM DONOR

The Organization borrowed \$10,000 from one of its main donors in June 2017. The loan has an interest rate of 5% per annum. The loan was paid by the Organization in full in July 2017.

NOTE 5 - LINE OF CREDIT

The Organization has an available line of credit for \$120,000 with First Financial Bank. The line of credit is to be used for operating expenses. At year ended June 30, 2017 and 2016 the outstanding balance was \$104,992 and \$116,184, respectively. This note is secured by the mortgage and business assets and uses the prime interest rate not to be less than 5%. At June 30, 2017 the interest rate was 6%. The line of credit matures September 8, 2017.

NOTE 6 - LONG TERM DEBT

The Organization had the following debt outstanding at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
The Organization has a vehicle loan of \$18,199 with Ally Financial dated May 31, 2014, secured by the 2014 Chevrolet Malibu, with an interest rate of 7.85%, monthly principal and interest payments of \$571. The loan matured in June 2017.	\$ 0	\$ 6,550
The Organization has a note payable of \$70,000 with First Financial Bank dated May 15, 2015, secured by the mortgage, maturing May 15, 2020, interest rate of 5.75%, monthly principal and interest payments of \$771 beginning June 15, 2015 with a balloon payment due on May 15, 2020.	<u>58,569</u>	<u>64,237</u>
Total	58,569	70,787
Less: current maturities	<u>5,938</u>	<u>12,142</u>
Total long term debt	<u>\$ 52,631</u>	<u>\$ 58,645</u>

The following is a schedule of the long-term debt payments:

2018	\$ 5,938
2019	6,300
2020	<u>46,331</u>
Total	<u>\$ 58,569</u>

GREATER HAMMOND COMMUNITY SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - OPERATING LEASE

The Organization leases two copiers for 39 months beginning June 2016 and ending August 2019 at \$394 per month. The Organization also has an immaterial month to month lease for phone equipment. Rental expense amounted to \$5,478 and \$3,276 for the years ended June 30, 2017 and 2016, respectively. This is included on the statement of functional expenses in small equipment.

The future minimum rental payments required under this lease are approximately as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 4,728
2019	4,728
2020	<u>788</u>
Total	<u>\$ 10,244</u>

NOTE 8 - ALLOCATION OF FUNCTIONAL EXPENSES

The Organization has allocated their expenses by function based on the time spent on management and program activities.

NOTE 9 - INCOME TAX UNCERTAINTIES

The Organization has adopted the provisions of ASC 740-10-25, which requires an organization to disclose any income tax uncertainties, including tax positions for which it is reasonably possible that the unrecognized tax benefit will significantly change in the next 12 months. The Organization believes that all income tax positions are reasonable and that the total amounts of unrecognized tax benefits will not significantly increase or decrease within 12 months of the reporting date. As a non-profit organization, the entity is exempt from income taxes. The Organization did not recognize any income tax interest or penalties during the fiscal years ended June 30, 2017 and 2016. In general, the Organization is no longer subject to examination for the years prior to 2015.